PIAGGIO GROUP

FINANCIAL STATEMENTS 2018

CONTENTS

REPORT ON OPERATIONS

REPORT ON OPERATIONS

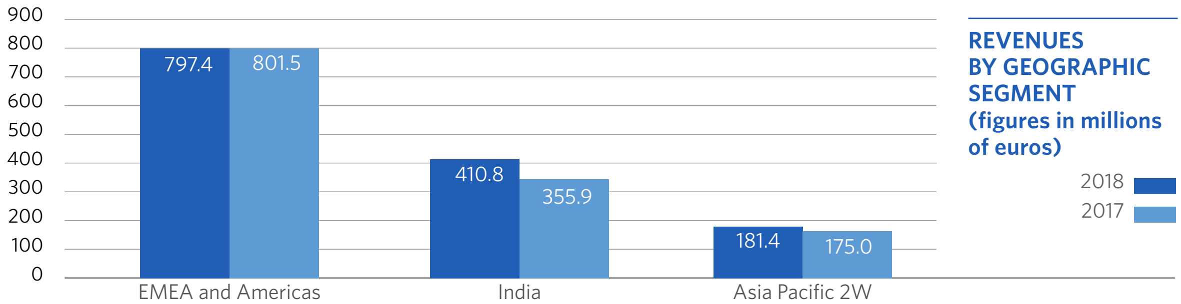
KEY OPERATING AND FINANCIAL DATA[1]

	2018	2017
IN MILLIONS OF EUROS		
Data on financial position		
Net revenues	1,389.5	1,342.4
Net revenues restated[1]	1,389.5	1,332.4
Gross industrial margin	423.6	411.3
Gross industrial margin restated	423.6	405.4
Operating income	92.8	72.3
Profit before tax	67.8	40.1
Net profit	36.1	20.0
.Non-controlling interests		
.Group	*36.1*	*20.0*
Data on financial performance		
Net capital employed (NCE)	821.2	831.8
Net debt	(429.2)	(446.7)
Net debt restated	(429.2)	(452.2)
Shareholders' equity	392.0	385.1
Shareholders' equity restated	392.0	381.0
Balance sheet figures and financial ratios		
Gross margin as a percentage of net revenues (%)	30.5%	30.6%
Gross margin as a percentage of net revenues restated (%)	30.5%	30.4%
Net profit as a percentage of net revenues (%)	2.6%	1.5%
Net profit as a percentage of net revenues restated (%)	2.6%	1.5%
ROS (Operating income/net revenues)	6.7%	5.4%
ROS (Operating income/net revenues restated)	6.7%	5.4%
ROE (Net profit/shareholders' equity)	9.2%	5.2%
ROE (Net profit/shareholders' equity restated)	9.2%	5.2%
ROI (Operating income/NCE)	11.3%	8.7%
EBITDA	201.8	192.3
EBITDA/net revenues (%)	14.5%	14.3%
EBITDA/net revenues restated (%)	14.5%	14.4%
Other information		
Sales volumes (unit/000)	603.6	552.8
Investments in property, plant and equipment and intangible assets	115.3	86.7
Employees at the end of the period (number)	6,515	6,620

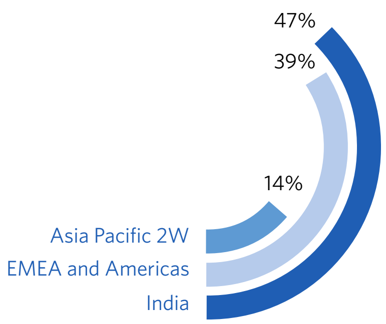
1 For the purposes of comparing 2018 figures, 2017 figures have been restated and include the effects of adopting IFRS 15 and IFRS 9.

Results by operating segments

		EMEA e AMERICAS	INDIA	ASIA PACIFIC 2W	TOTAL
Sales volumes (units/000)	2018	235.4	282.5	85.7	**603.6**
	2017	245.9	228.7	78.2	**552.8**
	Change	(10.5)	53.8	7.6	**50.9**
	Change %	-4.3%	23.5%	9.7%	**9.2%**
Turnover (million euros)	2018	797.4	410.8	181.4	**1,389.5**
	2017[2]	801.5	355.9	175.0	**1,332.4**
	Change	(4.0)	54.8	6.4	**57.1**
	Change %	-0.5%	15.4%	3.6%	**4.3%**
Average number of staff (no.)	2018	3,651	2,181	866	**6,698**
	2017	3,730	2,109	829	**6,668**
	Change	(79)	72	37	**30**
	Change %	-2.1%	3.4%	4.5%	**0.4%**
Investments in property, plant and equipment and intangible assets (million euros)	2018	95,8	15,5	4,0	**115,3**
	2017	65,1	15,1	6,5	**86,7**
	Change	30,7	0,4	(2,6)	**28,6**
	Change %	47,2%	3,0%	-39,2%	**33,0%**



REVENUES BY GEOGRAPHIC SEGMENT (figures in millions of euros)



SALES VOLUMES BY GEOGRAPHIC SEGMENT 2018

2 For the purposes of comparing 2018 figures, 2017 figures have been restated and include the effects of adopting IFRS 15.

GROUP PROFILE

The Piaggio Group, based in Pontedera (Pisa, Italy) is Europe's largest manufacturer of two-wheeler motor vehicles and an international leader in its field. The Group is also a major player worldwide in the commercial vehicles market.

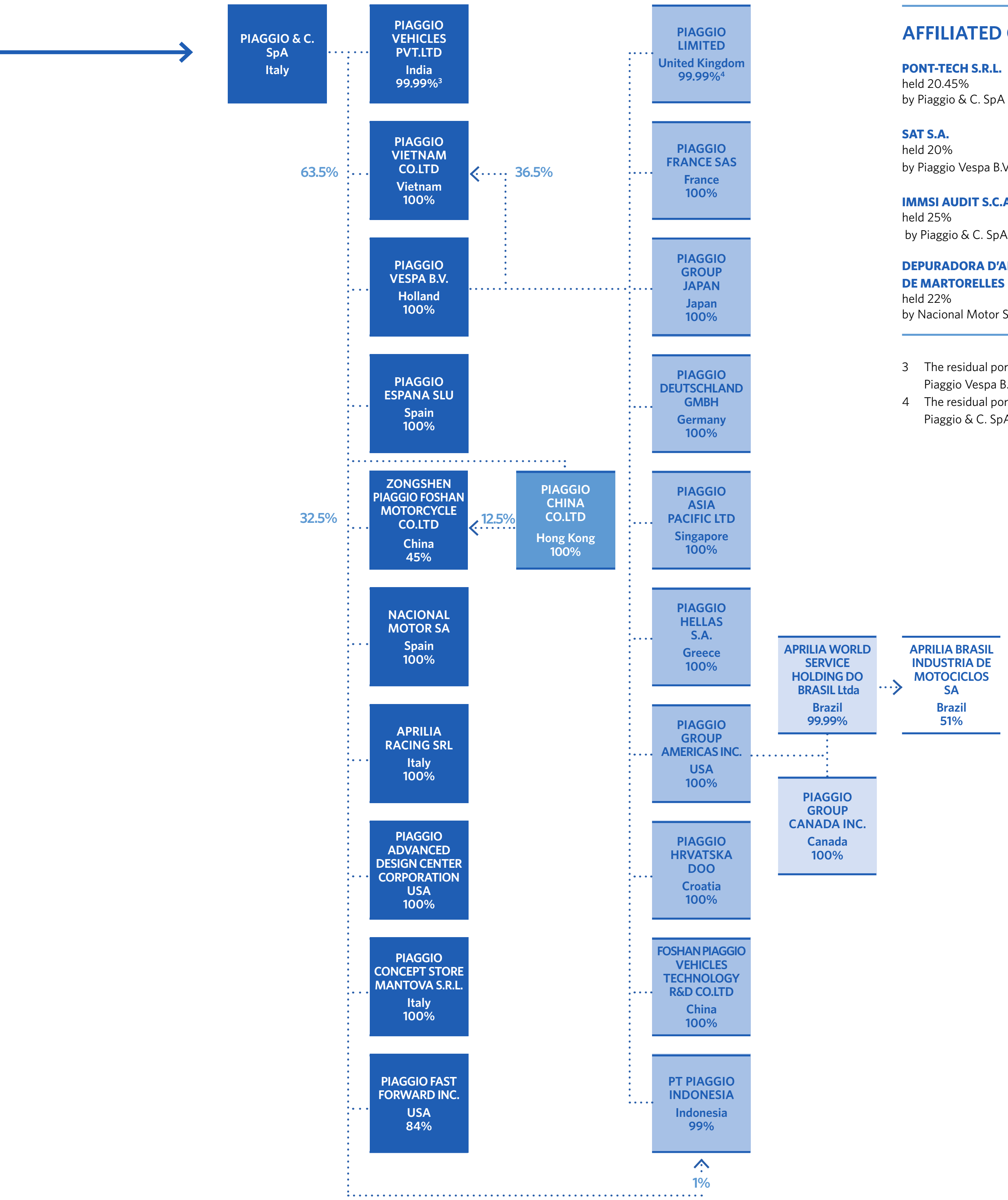
Mission

The mission of the Piaggio Group is to generate value for its shareholders, customers and employees, by acting as a global player that creates superior quality products, services and solutions for urban and extraurban mobility that respond to evolving needs and lifestyles.
To stand out as a player that contributes to the social and economic growth of the communities in which it operates, considering, in its activities, the need to protect the environment and the collective well-being of the community. To be an Italian global player in the light mobility segment, standing out for its superior design, creativity and tradition. To become a leading European company with a world-class reputation, championing a business model based on the values of quality and tradition, and on the ongoing creation of value.

Values

- **Value for customers:** Managing and developing a fast, flexible organisation, in which all processes, persons and external partners (suppliers and dealers) are focused on the generation of value perceivable by the customer.
- **Value for shareholders:** Achieving returns on capital employed to meet the expectations of shareholders and ensure ongoing growth.
- **Value of people:** Nurturing the capabilities and talents of each individual, attracting and retaining the highest-value resources.
- **Value of brands:** Investing in brand strength as leverage for developing market share and building a unique and distinctive market positioning.
- **Customer-focused innovation:** Developing innovative products that stand out for their unique style, quality, safety, energy efficiency and low environmental impact.
- **Internationalisation:** Becoming a truly multinational business in terms of organisation, culture, global market presence and respect for local culture in each of the countries in which the Group operates, and being in exemplary the way its international human resources are handled.

COMPANY STRUCTURE AT 31 DECEMBER 2018



AFFILIATED COMPANIES

PONT-TECH S.R.L.
held 20.45%
by Piaggio & C. SpA

SAT S.A.
held 20%
by Piaggio Vespa B.V.

IMMSI AUDIT S.C.A.R.L.
held 25%
by Piaggio & C. SpA

DEPURADORA D'AIGUES DE MARTORELLES
held 22%
by Nacional Motor S.A.

3 The residual portion is held by Piaggio Vespa B.V.

4 The residual portion is held by Piaggio & C. SpA

COMPANY BODIES

BOARD OF DIRECTORS	
Chairman and Chief Executive Officer	Roberto Colaninno (1), (2)
Deputy Chairman	Matteo Colaninno
Directors	Michele Colaninno
	Giuseppe Tesauro (3), (4), (5), (6), (7)
	Graziano Gianmichele Visentin (4), (5), (6), (7)
	Maria Chiara Carrozza
	Federica Savasi
	Patrizia Albano
	Andrea Formica (5), (6), (7)
BOARD OF STATUTORY AUDITORS	
Chairman	Piera Vitali
Statutory Auditors	Giovanni Barbara
	Daniele Girelli
Alternate Auditors	Fabrizio Piercarlo Bonelli
	Gianmarco Losi
SUPERVISORY BODY	
	Antonino Parisi
	Giovanni Barbara
	Ulisse Spada
Chief Financial Officer	Simone Montanari
Executive in charge of financial reporting	Alessandra Simonotto
Independent Auditors	PricewaterhouseCoopers S.p.A.

(1) Director responsible for the internal control system and risk management
(2) Executive Director
(3) Lead Independent Director
(4) Member of the Appointment Proposal Committee
(5) Member of the Remuneration Committee
(6) Member of the Internal Control and Risk Management Committee
(7) Member of the Related-Party Transactions Committee

All information on the powers reserved for the Board of Directors, the authority granted to the Chairman and CEO, as well as the functions of the various Committees of the Board of Directors, can be found in the Governance section of the Issuer's website www.piaggiogroup.com.

ORGANISATIONAL STRUCTURE

As of 31 December 2018 the structure of Piaggio & C. S.p.A.'s organisation was based on the following front-line functions.

- **Finance:** this function is responsible for administrative, tax and financial matters, as well as investor relations, planning and control and information technology.

- **Corporate and Legal:** this function is responsible for providing assistance for all legal aspects, including assistance for contracts, managing problems concerning litigation involving the Group, guaranteeing protection of the Group's trademarks at a worldwide level, and the management of obligations concerning company law.

- **Human Resources:** this function is responsible for recruiting, managing and developing human resources, as well as managing industrial relations.

- **Marketing and Communications:** this function is responsible for managing and coordinating at a global level sales communication, digital marketing and customer experience activities, as well as monitoring brand image and awareness of the Group's brands and managing the Museums and historical archives of Group brands. This function also manages and coordinates communication activities and relations with the media and end consumers, and guarantees the management and coordination of relations with product and racing media at a global level.

- **Development and Product Marketing Division:** this division is responsible for identifying market/customer needs and opportunities arising from technological innovation and developments in laws and standards, in order to assist the definition of the two-wheeler vehicle concept, as part of product range development, and is also responsible for design activities at a worldwide level for the Group's brands.

- **Racing:** this function is responsible for racing activities.

- **Two-wheeler Product Development:** this function is responsible for activities focussing on technological innovation, engineering, reliability, quality and regulatory activities for scooters, motorcycles and two-wheeler engines, and for protecting industrial property relative to the Group's technical patents and models.

- **Three-, Four-wheeler Product Development:** this function is responsible for activities concerning design, engineering, reliability and quality relative to three- and four-wheeler commercial vehicles and engines.

- **Manufacturing Technologies:** this function is responsible for guaranteeing production technology innovation and change, managing infrastructure and plants, and ensuring the development of new industrial sites worldwide.

- **Purchasing:** this function is responsible for purchasing and supplier management.

- **Materials Management:** this function is responsible for managing vehicle distribution logistics and optimising commercial and production planning processes.

- **Two-Wheeler Italy and EMEA Market,**

- **Three-, Four-Wheeler EMEA and Emerging Markets:**
  each department, for the area and products in its management, is responsible for achieving sales targets, defining price policies for single markets and identifying appropriate actions to develop the sales network, through the coordination of sales companies in Europe, and for managing corporate sales to major clients and the central public administration sector at a European level.

- **EMEA Production:** this function is responsible for guaranteeing the manufacture and quality of engines, motorcycles, scooters and commercial vehicles.

- **Asia Pacific 2 Wheeler:** this function is responsible for coordinating the companies Piaggio Vietnam, Piaggio Asia Pacific, Piaggio Group Japan Corporation and Piaggio Indonesia, to guarantee business and industrial profitability, turnover, market share and customer satisfaction for the Group's two-wheeler vehicles, by managing production and sales on reference markets.

- **China:** this function is responsible for monitoring operations in the area, coordinating the Company Foshan Piaggio Vehicles Technology Research & Development.

- **Piaggio Vehicles Private Limited:** this function is responsible for guaranteeing business and industrial profitability, turnover, market share and customer satisfaction for the Group's commercial vehicles and scooters in India, by managing production and sales on reference markets.

- **Piaggio Group Americas:** this function is responsible for guaranteeing business profitability for its reference area, turnover, market share and customer satisfaction by managing sales of Group products.

- **Business Unit Aftersales:** this function is responsible for managing after-sales activities, defining the range of spare parts and accessories, establishing prices in conjunction with the sales department and ensuring turnover, the distribution of the Group's spare parts and accessories, and customer care activities.

- **Internal Audit:** this function is responsible for developing all activities concerning and functional to internal auditing, in order to improve the effectiveness and efficiency of the internal control system and evaluate its operation.

- **Corporate Press Office:** this function oversees media management and coordination for Corporate activities, inviting the press to attend institutional events, preparing notices and issuing press releases.

As regards the above organisation, on 23 October 2018, the Board of Directors of Piaggio & C. S.p.A. approved the reorganization project regarding the areas of product and marketing strategies, considering the same to be appropriate and adequate, and thus granting the Member of the Board Director Michele Colaninno the proxies to operate within the above-mentioned area of product and marketing strategies with the power to direct and coordinate the following company functions worldwide, involved in the creation and development of product strategy at global level: Development and Product Marketing Division, Marketing and Communications and Racing.

STRATEGY AND AREAS OF DEVELOPMENT

Business strategy

The Piaggio Group aims to create value by adopting a strategy which:
- consolidates its leadership position on the European two-wheeler market and on the Indian light commercial vehicles market;
- increases its presence on international markets, with particular reference to the Asian area;
- increases the operating efficiency of all company processes, with a focus on industrial productivity.

EMEA and Americas

Europe Two-wheeler – lever market recovery, consolidating a leadership position in the scooter segment. Focus on the Aprilia and Moto Guzzi brands to improve sales and profitability in the motorcycle segment. Expand the range of electric vehicles, targeting its technological and design leadership, and the distribution network.
America Two-Wheeler segment - growth, with the introduction of the premium products Aprilia and Moto Guzzi and consolidation of the sales network.
Europe Commercial Vehicles - maintain growth based on eco-sustainable solutions, with a product range featuring new engines with zero or low environmental impact and lower emissions.

India

Two-wheeler - consolidate the scooter market position through expansion of the Vespa and Aprilia brand ranges.
Commercial vehicles - growth in volumes and profitability, through the consolidation of a strong competitive position on the local three-wheeler market and a focus on the export of vehicles to Africa and Latin America.

Asia Pacific 2W

Development: the aim is to increase scooter sales in the entire area (Vietnam, Indonesia, Thailand, Malaysia and Taiwan), exploring opportunities for motorcycles with a medium capacity engine, consolidating penetration in the premium segment of the Chinese market.

Key Assets

The Group will aim to consolidate its business position by levering and investing in the potential of its key assets:
- distinctive brands, recognised worldwide;
- an extensive sales network on reference markets;
- competency in research and development, focussed on innovation, safety and the environment;
- a strong international presence, with local operations for all core company processes, from marketing to research and development, production and purchasing.

Sustainability strategy

The Group's Corporate Social Responsibility (CSR) strategic objectives – which are largely integrated with and connected to the development of the strategic plan – are based on the following areas:

- **Economic:** timely, correct, in-depth information to stakeholders.
  Creating value while respecting business ethics.
- **Product:** technological investments to meet the need for sustainable mobility - innovation to develop products that are environmentally friendly, safe and cost-effective.
- **Environmental:** decreasing energy consumption, reducing CO_2 emissions and emissions of other pollutants - conserving natural resources - waste management.
- **Social:** developing, training and promoting human resources so that everyone's expectations and aspirations are met. Engaging with customers in order to establish relations based on transparency and trust - developing Company Advocacy in partnership with the dealer network – selling products that are environmentally friendly, reliable, safe and cost-effective. Engaging and cooperating with suppliers through shared development projects - respecting human rights. Fighting against corruption. Engaging and supporting local communities through social, cultural and educational initiatives.

PIAGGIO AND FINANCIAL MARKETS

INVESTOR RELATIONS

Piaggio considers financial disclosure to be of vital importance in building a relationship of trust with the financial market.

In particular the Investor Relations function engages institutional and individual investors as well as financial analysts in an ongoing dialogue, producing transparent, timely and accurate information to promote a correct perception of the Group's value.

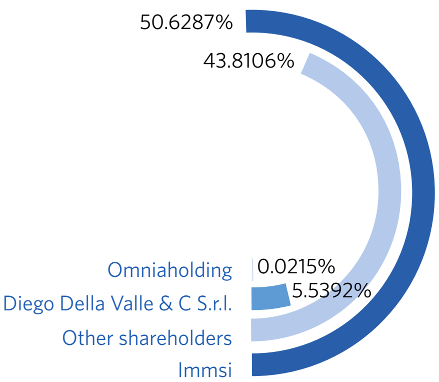
In 2018 there were numerous opportunities to interact with the financial community, with the Group meeting more than 170 investors on main European and Asian financial markets during road shows and conferences.
Initiatives also included direct meetings and conference calls, managed daily by the IR function, and institutional communication events concerning quarterly results.

To ensure adequate reporting and compliance with Borsa Italiana and Consob regulations, the Company's website is promptly and continually updated with all information concerning the Group and key corporate documents, published in both Italian and English.
In particular, press releases disclosed to the market, the Company's periodic financial reports, the Corporate Social Responsibility Report, and data on business and financial performance are all published online, along with the material used in meetings with the financial community, Piaggio share consensus, as well as corporate governance documents (articles of association, insider trading and material concerning shareholders' meetings).

Contacts Investor Relations Department
Raffaele Lupotto – Senior Vice President, Head of Investor Relations
Email: investorrelations@piaggio.com
Tel: +39 0587 272286
Fax: +39 0587 276093

SHAREHOLDING STRUCTURE

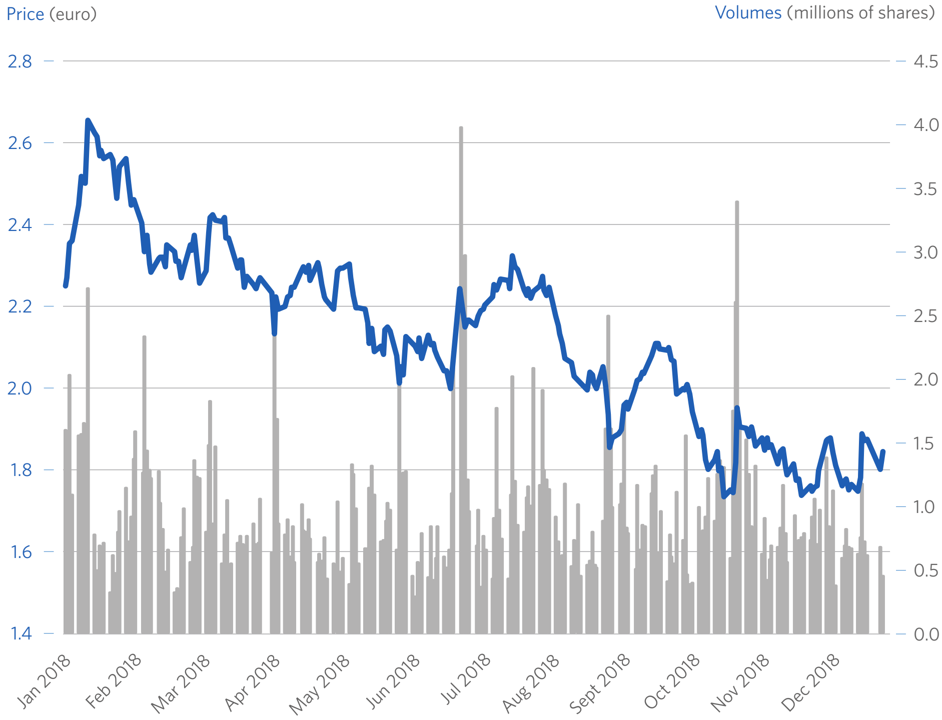
As of 31 December 2018, share capital comprised 358,153,644 ordinary shares. At the same date, the shareholding structure, according to the shareholder ledger supplemented with notices received pursuant to article 120 of Legislative Decree no. 58/1998 and other available information, was as follows:



SHARE PERFORMANCE

Piaggio & C. SpA has been listed on the Milan Stock Exchange since 11 July 2006. The Piaggio share ended 2018 with a performance in line with main benchmark indices.

PRICE AND DAILY VOLUMES



TREND OF THE PIAGGIO SHARE IN RELATION TO FTSE ALL-SHARE

MAIN SHARE INDICATORS

	2018	2017
Official share price on the last day of trading (euro)	1.83	2.31
Number of shares (no.)	358,153,644	358,153,644
Treasury portfolio shares (no.)	793,818	-
Earnings per share (euro)		
Basic earnings	0.101	0.056
Diluted earnings	0.101	0.056
Shareholders' equity by share (euro)	1.10	1.08
Market capitalisation (millions of euros)[5]	654.17	827.58

DIVIDENDS

The Shareholders' Meeting of Piaggio & C. S.p.A. of 16 April 2018 resolved to distribute a dividend of 5.5 eurocents per ordinary share. During 2017 as well, a dividend of 5.5 cents per share was distributed.

STATEMENT OF PIAGGIO & C. SPA DIVIDENDS FOR 2017 AND 2016

REFERENCE FINANCIAL STATEMENTS	2018	2017
Detachment date	23 April 2018	24 April 2017
Payment date	26 April 2018	26 April 2017
Dividend per share (euro)	0.055	0.055

GROUP RATINGS

	31/12/2018	31/12/2017
Standard & Poor's		
Corporate	BB-	B+
Outlook	Stable	Stable
Moody's		
Corporate	B1[6]	B1
Outlook	Stable	Stable

5 Source Borsa Italiana.
6 On 16 January 2019, the rating agency Moody's Investors Service (Moody's) notified its revised rating of the Piaggio Group (PIA.MI), from "B1" to "Ba3".

SIGNIFICANT EVENTS DURING THE YEAR

30 January 2018 – The development and consolidation of the Motoplex distribution network continued. The Motoplexes are Piaggio Group multibrand flagship stores offering a unique venue to showcase the Group's main brands (Vespa, Piaggio, Aprilia and Moto Guzzi). In fact, in line with the Group's global, in-store innovative strategy with customer-centric sales, the remarkable record of 300 stores opened worldwide in just three years has been reached, improving on and partially replacing the conventional distribution network.

6 February 2018 – At the Brand Identity GrandPrix, the Biblioteca Bilancio Sociale presented awards to brands that have sought to invest in sustainability, turning it into a business asset. The Piaggio Group received a special mention in the "Environment" category.

8 February 2018 – The Piaggio Group, boosted by its considerable success with the Aprilia SR 150, expanded its range of Aprilia scooters in India, unveiling the new Aprilia SR 125 and Aprilia Storm 125 at Auto Expo. The models will reach a broad-ranging target in a segment with strong growth, with the Vespa brand sold as a premium scooter product.

26 March 2018 – The rating agency Moody's announced a change to the outlook of the Piaggio Group, raising it from stable to positive and leaving the rating unchanged at B1.

5 April 2018 - Standard & Poor's Global Ratings (S&P) notified its revision of the Rating of the Piaggio Group (PIA. MI), upgrading it from "B+" to "BB-".

18 April 2018 – The Piaggio Group successfully completed the placement of a 7-year, non-convertible, unsecured senior debenture loan on the high-yield market for €250 million, with a fixed annual interest rate of 3.625% and an issue price equal to 100%. The Notes were rated by S&P (BB-) and Moody's (B1), in line with the ratings of the Group. The purpose of the transaction is to refinance Piaggio's outstanding notes for the same amount due in 2021, strengthening the debt profile of the Group, reducing its average cost and significantly extending the average maturity of the Group's debt. The response from institutional investors was highly encouraging both in Italy and abroad, with an uptake for approximately €1.7 billion.

12 June 2018 – The Piaggio Group took out a five-year, €250 million credit facility, with a pool of banks comprising Bank of America Merrill Lynch, Banca Nazionale del Lavoro, HSBC, Banca IMI, ING Bank, Mediobanca and Unicredit (all acting as mandated lead arranger and bookrunner). The operation is mainly to refinance the €175 million revolving line maturing in July 2018, and the €25 million term loan maturing in July 2019, granted by the same pool of banks. The credit facility consists of a revolving portion amounting to €187.5 million and a term loan amortising portion, amounting to €62.5 million. The financial conditions of the new facility are better than the refinanced credit facilities: besides a reduction in the cost of borrowing, the new credit facility will make it possible to improve the Piaggio Group's financial debt quality profile, increasing its financial flexibility and average residual life to approximately 5 years.

18 July 2018, Beijing – The Chairman and CEO of Piaggio & C. S.p.A. Roberto Colaninno, and the Deputy CEO of Foton Motor Group and Chairman of Foton International Chaing Rui signed the technical attachments to the contract for the development and production of a new range of light commercial four-wheelers (contract signed on 16 May), successfully completing the procedure. The CEO of Foton Motor Group Mr. Gong Yueqiong confirmed how the partnership will value the special characteristics of the two international industrial groups and strengthen the commercial and industrial ties already existing between Italy and China. He also hoped that further partnerships would be forged, with a particular nod to African markets. With the last contractual step being completed and the partnership between the Piaggio Group and Foton Motor Group becoming effective, investments necessary to manufacture the new types of light commercial vehicles have started. All operations will take place at the Piaggio Group's Pontedera site, and relative products will be launched on the market as from 2020.

7 August 2018 - The Piaggio Group began sales of the Ape in Cambodia, one of the most dynamic and high-potential growth markets for light commercial vehicles in the Asean area. The Ape City LPG version for passenger transport was launched, representing an innovative solution for the country's mobility needs.

24 September 2018 - The Piaggio Group unveiled the Pune in India - the new natural gas and methane Ape range featuring the Ape Xtra LDX and Ape Auto DX, which will first be sold on the Indian market and later in developing countries. The versions are the first types of Ape with a water-cooled engine and feature an outstanding performance in terms of power, recovery, consumption and maintenance, underscoring the Group's commitment to providing innovative and eco-friendly solutions for last-mile transport.

8 October 2018 – The online pre-booking campaign for the electric Vespa, manufactured at the Italian site of Pontedera, began. With the launch of the Vespa Elettrica, Piaggio Financial Services made its début. This new financial platform of the Piaggio Group has been developed in keeping with the Group's flair for innovation and continual focus on customers' changing needs.

12 December 2018 – Piaggio Fast Forward, (PFF), a subsidiary of the Piaggio Group and the most advanced research centre for future mobility, announced it will be expanding in Boston with a new site, and that all Gita robots will be designed, developed and assembled there. The new PFF site will occupy an area with a floor space of approximately 1,000 m2.

FINANCIAL POSITION AND PERFORMANCE OF THE GROUP

CONSOLIDATED INCOME STATEMENT

Consolidated income statement (reclassified)

	2018		2017 RESTATED[7]		CHANGE	
	IN MILLIONS OF EUROS	ACCOUNTING FOR A %	IN MILLIONS OF EUROS	ACCOUNTING FOR A %	IN MILLIONS OF EUROS	ACCOUNTING FOR A %
Net revenues	1,389.5	100.0%	1,332.4	100.0%	57.1	4.3%
Cost to sell[8]	(966.0)	-69.5%	(927.0)	-69.6%	(38.9)	4.2%
Gross industrial margin [8]	**423.6**	**30.5%**	**405.4**	**30.4%**	**18.2**	**4.5%**
Operating expenses	(330.8)	-23.8%	(333.1)	-25.0%	2.3	-0.7%
EBITDA[8]	**201.8**	**14.5%**	**192.3**	**14.4%**	**9.4**	**4.9%**
Amortisation/Depreciation	(109.0)	-7.8%	(120.0)	-9.0%	11.0	-9.2%
Operating income	**92.8**	**6.7%**	**72.3**	**5.4%**	**20.5**	**28.3%**
Result of financial items	(24.9)	-1.8%	(32.3)	-2.4%	7.3	-22.8%
Profit before tax	**67.8**	**4.9%**	**40.1**	**3.0%**	**27.8**	**69.4%**
Taxes	(31.8)	-2.3%	(20.1)	-1.5%	(11.7)	58.3%
Net profit	**36.1**	**2.6%**	**20.0**	**1.5%**	**16.1**	**80.5%**

Net revenues

	2018	2017 RESTATED	CHANGE
IN MILLIONS OF EUROS			
EMEA and Americas	797.4	801.5	(4.0)
India	410.8	355.9	54.8
Asia Pacific 2W	181.4	175.0	6.4
Total	**1,389.5**	**1,332.4**	**57.1**
Two-wheeler	957.9	942.1	15.9
Commercial Vehicles	431.6	390.4	41.3
Total	**1,389.5**	**1,332.4**	**57.1**

The Group has adopted IFRS 15 since 1 January 2018. For an analysis of the effects of adopting this accounting standard, see the notes. To make data from the two periods in question comparable, 2017 figures were restated. Comments in the Report on Operations refer to 2018 figures and 2017 figures restated.

In terms of consolidated turnover, the Group closed 2018 with net revenues up compared to 2017 (+4.3%; +8.2% with constant exchange rates). In terms of geographic segments, revenues increased in India (+15.4%; +26.2% at constant exchange rates) and Asia Pacific (+3.6%; +9.3% with constant exchange rates). In the EMEA and Americas, revenues were basically stable (-0.5%).
As regards product types, the increase in turnover mainly referred to Commercial Vehicles (+10.6%), while the trend in the two-wheeler segment was more limited (+1.7%). As a result, the percentage of two-wheeler vehicles accounting for overall turnover dropped from 70.8% in 2017 to the current figure of 68.9%; vice versa, the percentage of Commercial Vehicles rose from 29.2% in 2017 to the current figure of 31.1%.

The Group's **gross industrial margin** increased compared to the previous year, in absolute terms (€+18.2 million), and in relation to net turnover (30.5% against 30.4% in 2017).
Amortisation/depreciation included in the gross industrial margin was equal to €31.2 million (€34.8 million in 2017).

7 2017 figures have been restated following the adoption of IFRS 15.
8 For a definition of the parameter, see the "Economic Glossary".

Operating expenses in 2018 went down compared to the previous year, and amounted to €330.8 million (€333.1 million in 2017). The change is mainly due to the reduction in amortisation and depreciation included in operating expenses (€77.8 million in 2018 compared to €85.2 million in 2017).

This performance resulted in a consolidated **EBITDA** which was higher than the previous year, and equal to €201.8 million (€192.3 million in 2017). In relation to turnover, EBITDA was equal to 14.5% (14.4% in 2017). In terms of Operating Income (**EBIT**), performance was better compared to 2017, with a consolidated EBIT equal to €92.8 million, up by €20.5 million compared to 2017; in relation to turnover, EBIT was equal to 6.7% (5.4% in 2017).

The result of **financing activities** improved compared to the previous year by €7.3 million, with Net Charges amounting to €24.9 million (€32.3 million in 2017). This performance is mainly due to the reduction in average net debt and average stock, and is further improved by non-recurring net income of € 0.9 million from the liability management operation on the "Eur 250 million Piaggio 4.625% due 2021" debenture loan, as well as the fair value measurement of financial debt in foreign currency and relative hedging for an additional €0.9 million.

Taxes for the period were equal to €31.8 million, while they amounted to €20.1 million in 2017. In 2018 the impact of taxes on profit before tax was estimated as equal to 46.8% (50.1% in 2017).

Adjusted net profit stood at €36.1 million (2.6% of turnover), up on the figure for the previous year of €20.0 million (1.5% of turnover).

Operating data

VEHICLES SOLD

	2018	2017	CHANGE
IN THOUSANDS OF UNITS			
EMEA and Americas	235.4	245.9	(10.5)
India	282.5	228.7	53.8
Asia Pacific 2W	85.7	78.2	7.6
Total	**603.6**	**552.8**	**50.9**
Two-wheeler	393.1	376.0	17.1
Commercial Vehicles	210.5	176.8	33.7
Total	**603.6**	**552.8**	**50.9**

During 2018, the Piaggio Group sold 603,600 vehicles worldwide, registering a growth of 9.2% in volume over the previous year (552,800 units sold). The number of vehicles sold was up in India (+23.5%) and Asia Pacific 2W (+9.7%), while vehicle sales in EMEA and Americas declined (-4.3%). As regards the type of products sold, the increase mainly referred to commercial vehicles (+19.1), while two-wheelers reported a smaller growth trend (+4.6%). For a more detailed analysis of market trends and results, see relative sections.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION[9]

STATEMENT OF FINANCIAL POSITION	AS OF 31 DECEMBER 2018	AS OF 31 DECEMBER 2017	CHANGE
IN MILLIONS OF EUROS			
Net working capital	(59.5)	(45.9)	(13.6)
Property, plant and equipment	276.5	284.5	(8.1)
Intangible assets	658.9	649.0	9.9
Financial assets	8.7	7.7	1.0
Provisions	(63.4)	(63.6)	0.2
Net capital employed	**821.2**	**831.8**	**(10.6)**
Net Financial Debt	429.2	446.7	(17.5)
Shareholders' equity	392.0	385.1	6.9
Sources of financing	**821.2**	**831.8**	**(10.6)**
Non-controlling interests	(0.2)	(0.2)	0.0

Net working capital as of 31 December 2018 was negative (€59.5 million), generating a cash flow of approximately €13.6 million during 2018.

Property, plant and equipment which includes investment property, totalled €276.5 million as of 31 December 2018, decreasing by €8.1 million compared to figures for the previous year. Depreciation for the year (€40.4 million), impairment costs (€1.9 million) and disposals (€1.0 million), as well as the value adjustment of the financial statement item to the year-end exchange rate which decreased the carrying amount by approximately €1.9 million, were only partially offset by investments for the year equal to approximately €37.1 million.

Intangible assets totalled €658.9 million, up by approximately €9.9 million compared to 31 December 2017. This increase is due mainly to investments for the year (€78.1 million) which exceeded amortisation for the year (€65.6 million), impairment costs (€2.4 million) and disposals (€0.1 million), as well as the value adjustment of the financial statement item to the year-end exchange rate, which decreased the carrying amount by approximately €0.1 million.

Financial assets which total €8.7 million, increased by €1.0 million compared to figures for the previous year.

Provisions totalled €63.4 million, falling compared to 31 December 2017 (€63.6 million).

As fully described in the next section on the "Consolidated Statement of Cash Flows", **net financial debt** as of 31 December 2018 was equal to €429.2 million, compared to €446.7 million as of 31 December 2017. The reduction of €17.5 million is mainly due to the positive trend of operations which allowed for the payment of dividends (€19.7 million) and the funding of the investment programme.

Shareholders' equity as of 31 December 2018 amounted to €392.0 million, up by approximately €7.0 million compared to 31 December 2017, despite the negative impact of approximately €4.0 million due to the adoption of the new version of IFRS 9.

9 For a definition of individual items, see the "Economic Glossary".

CONSOLIDATED STATEMENT OF CASH FLOWS

The Consolidated Statement of Cash Flows, prepared in accordance with international accounting standards, is presented in the "Consolidated Financial Statements and Notes as of 31 December 2018"; the following is a comment relating to the summary statement shown.

CHANGE IN CONSOLIDATED NET DEBT	2018	2017	CHANGE
IN MILLIONS OF EUROS			
Opening Consolidated Net Debt	**(446.7)**	**(491.0)**	**44.3**
Cash flow from operating activities	144.8	135.2	9.6
(Increase)/Reduction in Working Capital	13.6	9.6	4.1
(Increase)/Reduction in net investments	(111.8)	(71.9)	(39.9)
Change in shareholders' equity	(29.2)	(28.6)	(0.5)
Total change	***17.5***	***44.3***	***(26.8)***
Closing Consolidated Net Debt	**(429.2)**	**(446.7)**	**17.5**

During 2018 the Piaggio Group generated **financial resources** amounting to €17.5 million.

Cash flow from operating activities, defined as net profit, minus non-monetary costs and income, was equal to €144.8 million.

Working capital generated a cash flow of approximately €13.6 million; in detail:
- the collection of trade receivables[10] used financial flows for a total of €0.1 million;
- stock management absorbed financial flows for a total of €5.5 million;
- supplier payment trends generated financial flows of €18.5 million;
- the movement of other non-trade assets and liabilities had a positive impact on financial flows by approximately €0.7 million.

Investing activities involved a total of €111.8 million of financial resources. The investments refer to approximately €33.3 million for capitalised development expenditure, and approximately €82.0 million for property, plant and equipment and intangible assets.

As a result of the above financial dynamics, which generated a use of €17.5 million, the **net debt** of the Piaggio Group amounted to €- 429.2 million.

10 Net of customer advances.

ALTERNATIVE NON-GAAP PERFORMANCE MEASURES

In accordance with Consob Communication DEM/6064293 of 28 July 2006 as amended (Consob Communication no. 0092543 of 3 December 2015 that enacts ESMA/2015/1415 guidelines on alternative performance measures), Piaggio, in its Report on Operations, refers to some alternative performance measures, in addition to IFRS financial measures (Non-GAAP Measures).

These are presented in order to measure the trend of the Group's operations to a better extent and should not be considered as an alternative to IFRS measures.

In particular the following alternative performance measures have been used:

- **EBITDA:** defined as "Operating income" before the amortisation/depreciation and impairment costs of intangible assets and property, plant and equipment, as resulting from the consolidated income statement.
- **Gross industrial margin:** defined as the difference between net revenues and the cost to sell;
- **Cost to sell:** this includes costs for materials (direct and consumables), accessory purchase costs (transport of incoming material, customs, warehousing), employee costs for direct and indirect manpower and related expenses, work carried out by third parties, energy costs, depreciation of property, plant, machinery and industrial equipment, maintenance and cleaning costs net of sundry cost recovery recharged to suppliers.
- **Consolidated net debt:** gross financial debt, minus cash on hand and other cash and cash equivalents, as well as other current financial receivables. Consolidated net debt does not include other financial assets and liabilities arising from the fair value measurement of financial derivatives used as hedging and the fair value adjustment of related hedged items. The notes to the Consolidated Financial Statements include a table indicating the statement of financial position items used to determine the measure.

BACKGROUND

THE MACROECONOMIC FRAMEWORK

During 2018, the global economy continued to expand, recording growth of 3.7%, despite the emerging volatility of financial markets and a strong political instability.
The protectionist stance of US trade policies has started to affect trade worldwide, business confidence and manufacturing, while the uncertainty over inflation has remained high, due to the considerable impact of oil prices and trends of food prices.
The US economy ended the period with an extremely positive growth trend (+3%), due mainly to tax incentives, with a full employment rate on the labour market, solid accounts and consumer savings, and moderate inflation. The USD effective exchange rate continued to grow stronger, supported by the choices made by the Trump administration and by a monetary policy that is still divergent from Europe and Japan.
The two main economies in Asia continued to expand: in China, growth was stable (+6.5%), slowed down by stringent regulations in the financial sector, but supported by accommodating tax and monetary policies. GDP in India increased (+7.2%) over 2017, despite a weaker quarterly growth due to a slowdown in household consumption and investments. Growth in Japan was weak (+0.9%), affected by the downturn in global demand and the US's trade policy.
After the buoyant trend of the previous year (+2.5%), the Eurozone registered overall growth of 1.9%, mainly due to the decline in the manufacturing sector, affected by the slackening in global trade. The slowdown in GDP was more abrupt than expected, also in relation to transient factors, such as the social protests in France and the effect of environmentally friendly regulations on the automotive market. In a context of growth and fears of inflationary pressures, the ECB decided the deadline for Quantitative Easing, although maintaining an accommodating monetary policy.
Italy's phase of economic expansion stopped, with the period ending well below expectations (+0.9%). In the first half of the year, the slowdown in foreign trade had a considerable effect, not only in Italy but also on the rest of Europe as well, while in the second part of the year, domestic variables had a greater impact. In particular, there was uncertainty over tax and financial policies, which might have led households and above all businesses to exercise greater caution in long-term spending decisions.

THE MARKET

Two-wheeler

Based on data available on monitored markets, the global two-wheeler market (scooters and motorcycles) reported sales of over 46 million vehicles in 2018, with dynamics differing based on the geographic area.

India, the most important two-wheeler market, continued its growth trend in 2018, closing with just over 21.6 million vehicles sold, up by 12.8% compared to 2017.

The People's Republic of China resumed a negative trend (-12.1%), closing the period with just over 6.9 million units sold.

The Asian area, termed Asean 5, reported an increase in 2018 (+7.0% compared to 2017) ending the period with over 13.6 million units sold. Indonesia, the main market in this area, reported considerable growth (+8.4% compared to 2017), with total volumes of just under 6.4 million items. Thailand recorded a slight decline in 2018 (1.79 million units sold; -1.2% compared to 2017); Malaysia reported a considerable increase compared to the previous year (nearly 472 thousand units sold; +8.4% compared to 2017). The sales trend in Vietnam remained buoyant in 2018 (3.4 million units sold; +3.5 % compared to 2017) while the Philippines reported the highest increase of this area (nearly 1.59 million units sold; +20.6% compared to 2017).

Volumes of other Asian area countries (Singapore, Hong Kong, South Korea, Japan, Taiwan, New Zealand and Australia) decreased, in overall terms, compared to the previous year, with 1.3 million units sold (-11.4%). The most considerable decline was reported from Taiwan, which reversed its trend and closed the period with 754 thousand units sold (-17.1% compared to 2017). Japan also reported a negative trend, with 369 thousand units sold (-3.4% compared to 2017).

The North American market recorded a downturn of 2.7% compared to 2017 (496,000 vehicles sold in 2018).

Brazil, the leading market in South America, reversed this trend and thanks to a considerable increase in sales (+17.6%) ended 2018 with 957.6 thousand vehicles sold.

Europe, the reference area for Piaggio Group activities, recorded a slight downturn in 2018, reporting an overall drop of 2.4% in sales compared to 2017 (+7.7% for the motorcycle segment and -10.9% for scooters), ending the period with nearly 1.281 million units sold.

The scooter market

Europe

The European scooter market in 2018 accounted for 636,650 registered vehicles, with sales down by 10.9% compared to 2017.

MARKET	VEHICLE REGISTRATIONS		CHANGE	CHANGE %		
	2018	2017		OVERALL	< 50 CC	> 50 CC
Italy	143,450	142,050	1,400	1.0%	-15.6%	3.7%
France	115,250	141,250	(26,000)	-18.4%	-33.8%	4.8%
Spain	107,100	103,200	3,900	3.8%	-37.1%	13.6%
Holland	58,050	83,650	(25,600)	-30.6%		
Germany	54,500	56,600	(2,100)	-3.7%	-22.1%	21.9%
Greece	30,750	27,500	3,250	11.8%		
United Kingdom	24,650	25,800	(1,150)	-4.5%	-32.4%	5.6%
Europe	636,650	714,500	(77,850)	-10.9%	-32.7%	8.1%

North America

In 2018 the North American market still reported a downturn (-5.1%), with approximately 26,250 units sold:

MARKET	VEHICLE REGISTRATIONS		CHANGE	CHANGE %		
	2018	2017		OVERALL	< 50 CC	> 50 CC
USA	22,600	24,350	(1,750)	-7.2%	-5.5%	-9.1%
Canada	3,650	3,300	350	10.6%	19.4%	16.7%
North America	26,250	27,650	(1,400)	-5.1%	-1.4%	-9.6%

Asia

The main scooter market in the Asean 5 area is Indonesia, with nearly 5.9 million items sold, reporting an increase of 12.4% compared to 2017. The automatic scooter segment reported considerable growth in 2018 (+12.0% compared to 2017, with nearly 5.4 million units sold). The Cub segment also reversed its 2017 trend, reporting growth in 2018, closing at +16.5%, with 504 thousand units.

India

The automatic scooter market increased by 8.8% in 2018, ending the year with just under 7 million units sold.
The 125cc segment was the best performer, with nearly 6.8 million units sold in 2018, accounting for 97.4% of the total automatic scooter market. The 150cc segment was down slightly (-9.5%), mainly related to sales of the Aprilia SR 150, which sold 34,873 units in 2018. The 50cc scooter segment is not operative in India.

The motorcycle market

Europe

With 644,550 units registered, the motorcycle market ended 2018 with a 7.7% increase. The 50cc segment recorded a negative trend (-21.5%) closing with 33,600 units sold, while the over 50cc segment reported a 9.9% increase, with sales of 610,950 units.

MARKET	VEHICLE REGISTRATIONS		CHANGE	CHANGE %		
	2018	2017		OVERALL	< 50 CC	> 50 CC
France	131,700	124,600	7,100	5.7%	-24.90%	11.10%
Germany	126,450	116,450	10,000	8.6%	-59.50%	8.70%
Italy	96,750	86,250	10,500	12.2%	-0.80%	12.80%
United Kingdom	80,850	79,300	1,550	2.0%	-7.40%	2.00%
Spain	67,800	57,000	10,800	18.9%	-9.90%	19.90%
Europe	644,550	598,600	45,950	7.7%	-21.50%	9.90%

North America

The motorcycle market in North America (USA and Canada) recorded a downturn of 2.1% in 2018, closing the period with 470,000 units compared to 480,250 the previous year.

MARKET	VEHICLE REGISTRATIONS		CHANGE	CHANGE %		
	2018	2017		OVERALL	< 50 CC	> 50 CC
USA	415,100	424,450	(9,350)	-2.2%	-1.90%	-2.20%
Canada	54,900	55,800	(900)	-1.6%	6.70%	-2.00%
North America	470,000	480,250	(10,250)	-2.1%	-0.50%	-2.20%

Asia

India is the most important motorcycle market in Asia, selling nearly 13.8 million units in 2018, accounting for a 15.6% increase.

The motorcycle market in the Asean 5 area is far less important than the scooter sector. Sales of motorcycles in Vietnam were not significant. In other countries, the highest sales were recorded in Indonesia; however with 485 thousand units sold it reported a decrease of 23.8% compared to the previous year.

Commercial Vehicles

Europe
In 2018, the European market for light commercial vehicles (vehicles with a maximum mass of up to 3.5 tons) where the Piaggio Group operates, recorded sales past the 2 million mark for the first time since 2007, up 3.1% compared to 2017 (source ACEA data). In detail, the trends of main European reference markets are as follows: France (+4.6%), UK (-1.3%), Germany (+5.4%), Spain (+7.8%) and Italy (-6.0%).

India
The Indian three-wheeler and LCV cargo market (the latter with vehicles that have a mass below 2 tonnes), on which the Piaggio & C. S.p.A. subsidiary Piaggio Vehicles Privates Limited operates, reported the following trends:

MARKET	VEHICLE REGISTRATIONS		CHANGE	CHANGE %
	2018	2017		
Cargo	126,400	114,700	11,700	10.2%
Passengers	591,800	429,100	162,700	37.9%
Total 3W India	718,000	544,000	174,000	32.0%
4W LCV <2 Tons	226,500	141,500	85,000	60.1%

THE REGULATORY FRAMEWORK

European Union

One of the main legislative activities in 2018 concerned the proposed amendment to Regulation (EU) No 168/2013 on the transition to the Euro 5 step for the entire L category. The wording, adopted by EU institutions in December 2018, introduces new limits for Euro 5 emissions standards (as from 01/01/2020 for new vehicle types; as from 01/01/2021 for vehicle types already manufactured). Thanks to the coordinated and ongoing action of ACEM, the European Association of Motorcycle Manufacturers, and its members, the new Regulation defers the adoption of some critical requirements for the transition to Euro 5 for some subcategories of vehicles (categories L1e; L2e; L6e, Trial and Enduro bikes), mainly concerning phase II onboard diagnostic systems and the test procedure for the durability of pollutant systems to 2024.

Preparatory discussions were also held in 2018 on the European Commission's presentation of proposed legislation on new Euro 5 noise limits. After a cost/benefits study commissioned by the European Union in favour of a considerable reduction in noise limits was published in November 2017, the industry has taken action to oppose any legal initiatives in this regard. Italian manufacturers and other European manufacturers, in the context of ACEM, have therefore worked on a counterproposal that i) introduces new procedures for testing noise (ASEP 2.0 Additional Sound Emission Provisions), ii) promotes further application of the law and increased controls, iii) as well as a communication campaign to raise motorcyclists' awareness of problems caused by riding their vehicles incorrectly, particularly in urban areas. In this context, the European Commission announced in November 2018 that it wanted to commission a new cost/benefits study and analysis relative to changes in legislation on noise. These initiatives will be conducted during 2019, therefore deferring the presentation of a revised text on legislation on noise to the second quarter of 2020.

Another main piece of legislation in 2018 refers to the approval of the Regulation that combines EU legislation on the type approval of vehicles in relation to the United Kingdom's withdrawal from the European Union. Approved in December 2018, this Regulation introduces new rules aimed at ensuring a smooth transition for the type approval of motor vehicles, as well as of systems, components and separate technical units intended for these vehicles, when the UK leaves the EU. More specifically, the text enables manufacturers of motor vehicles holding a UK type approval to obtain a Union type approval for the same vehicle (i.e. type approval granted by an approval authority of one of the EU27), provided that the application for the Union type approval is made before the UK's withdrawal from the EU. The draft regulation therefore sets out the conditions for manufacturers of two-wheelers to obtain Union type approval, even after Brexit, and its effects on the placing on the market, registration or entry into service of such vehicles, systems, components and separate technical units. It also states that the authority issuing the Union type approval will assume responsibility for in-service conformity, repair and maintenance information and potential recalls also for vehicles, systems, components and separate technical units put on the market on the basis of the UK type approval.

In 2018, European institutions also worked on revising the Directive on motor vehicle insurance. The wording of the revised Directive has not yet been approved. The main changes of the draft directive concern: a) the introduction of minimum amounts of cover which insurance policies must provide (to prevent the same accident being reimbursed in a way that is excessively different between two member states); b) the introduction of an obligation to take out insurance for pedal assist electric bikes; c) and an amendment to the definition of "vehicle use" (as defined in Directive 2009/103/EC) requesting third party liability insurance for all vehicles (including stationary vehicles), used in all possible locations, and that covers all possible damage and liability (for example including track racing, with insurance covering not only harm to spectators, but also harm to drivers). As regards the latter aspect, European manufacturers are lobbying to exclude track racing and to limit the obligation to provide insurance only to moving vehicles (excluding stationary vehicles). Negotiations on the new proposed Directive are still underway and will not be completed before the European elections due to be held in May 2019.

As regards light commercial vehicles, many new legal aspects were introduced in 2018. New limits on pollutant emissions for cars and light commercial vehicles were also introduced. The new limits apply as from 1 September 2018 (excluding vehicles registered with an end-of-series exception) to all category M and N1-class I vehicles, including the new WLTP cycle and RDE limits on the number of particles, i.e. particulate (the limitation on the number of particles only applies to diesel engines or direct-injection petrol engines).

At the end of 2018, European institutions also approved new limits for CO_2 emissions for cars and light commercial vehicles post-2020. In brief, a reduction in CO_2 emissions (gr/Km) of 15% by 2025 and of 37.5% by 2030 is planned for vehicles, and a reduction of 15% by 2025 and of 31% by 2030 for light commercial vehicles (in both cases, the baseline used to calculate the reduction comprises the mandatory target of 95 gr/Km for 2021). The new regulation also requires manufacturers to comply with registration quotas for low environmental impact vehicles (ZLEV – Zero and Low Emissions Vehicles - or vehicles that emit less than 50 gr/Km) of 15% by 2025 and 30% by 2030.
In 2018, the new Framework Regulation for the type approval of category M, N and O vehicles (EU-WVTA Whole Vehicle Type Approval) was approved. This regulation will apply to all new type approvals as from 1 September 2020.

Work to revise the GVSR (General Vehicle Safety Regulation) started in 2018. The proposed legislation extends the list of passive and active safety devices that will be compulsory on board vehicles, the categories of vehicles involved (to include all categories) and also revises exemptions (for example current exemptions concerning SUVs and vans). With the support of Italian representatives and other delegations, the Council introduced the possibility, in its opinion which was approved in December 2018, for vehicles, such as the Porter, which are manufactured in small volumes, to be exempt. Thanks to the action of some MPs, a similar amendment was proposed in the opinion of the European Parliament. However, the wording has not yet been voted by the Parliamentary Committee that is responsible for the dossier, that should give its opinion before the end of January 2019. If approved, the procedure for the wording to become law will be put in place.

Italy

On 12 October 2018, the European Directive 2014/94/EU on the deployment of alternative fuels infrastructure came into force in Italy and in all other EU member states. This Directive includes the need to affix a label on new vehicles and on all fuel pumps/recharging stations, to enable users/vehicle drivers to correctly choose the most suitable fuel for their vehicle. More specifically, fuel distributors and vehicle manufactures are required to affix on new vehicles and on all pumps of refuelling stations and recharging stations fuel labels that conform to EN 16942. For motor vehicles, the label must be affixed on all vehicles placed on the market for the first time or registered on or after 12 October 2018. A number of similar labels (currently being developed), will also be provided for electric or hybrid plug-in vehicles and relative refuelling stations, to inform users of the most suitable recharging procedures for their vehicle.
Another important development in 2018 was the government's approval of incentives to scrap vehicles for the purchase of electric and hybrid two-wheelers. The incentives do not cover electric bicycles or four wheelers. The 2018 Budget approved a 30% contribution on the final price (up to a maximum of €3000) for an electric or hybrid vehicle of a power of up to 11kW in category L1e (scooters) and L3e (motorcycles) for buyers, also using finance leases, who scrap a vehicle of the same Euro 0, 1 and 2 categories. The incentive is only for 2019 and funding of €10 million has been allocated. The Ministry of Economic Development along with the Ministry of the Environment must prepare and publish an implementing decree within 2 months of approval of the Budget (therefore before 1 March 2019) which defines the procedures for obtaining the incentives. The Piaggio Group, along with the industry association ANCMA (Italy's National Association for Cycle and Motorcycle Accessories), is in contact with representatives of ministries involved, to closely track developments in the decree.

Holland

The Ministry for Transport and the Dutch Parliament have introduced an amendment to the Highway Code allowing local authorities to modify local traffic regulations. The city of Amsterdam has therefore decided to prohibit all MOFAs (scooters with engines and electric scooters that can travel at speeds of up to 25 km/h) from transiting along cycle lanes as from April 2019 and has made it compulsory for them to transit on roads and therefore for riders to wear a crash helmet. This prohibition will apply inside the A10 ring-road area, with a limited number of exceptions (for example on inner city ring-roads/through-ways, MOFAs may transit on cycle lanes and riders do not need to wear a crash helmet). Utrecht also intends introducing a similar ban in 2019.

India

Following a ruling by the Supreme Court, in October 2018, the new stage of Bharat VI emission standards (similar to Euro 5) was approved. The new emission limits will apply to all new vehicles as from 1 April 2020, therefore a few months before the entry into force of Euro 5 in the EU (as from 1 January 2021 for newly registered vehicles). Requirements for in-vehicle diagnostic systems should instead apply after EU dates.

RESULTS BY TYPE OF PRODUCT

The Piaggio Group is comprised of and operates by geographic segments (EMEA and the Americas, India and Asia Pacific) to develop, manufacture and distribute two-wheeler and commercial vehicles.
Each Geographic Segment has production sites and a sales network dedicated to customers in the relative segment. Specifically:

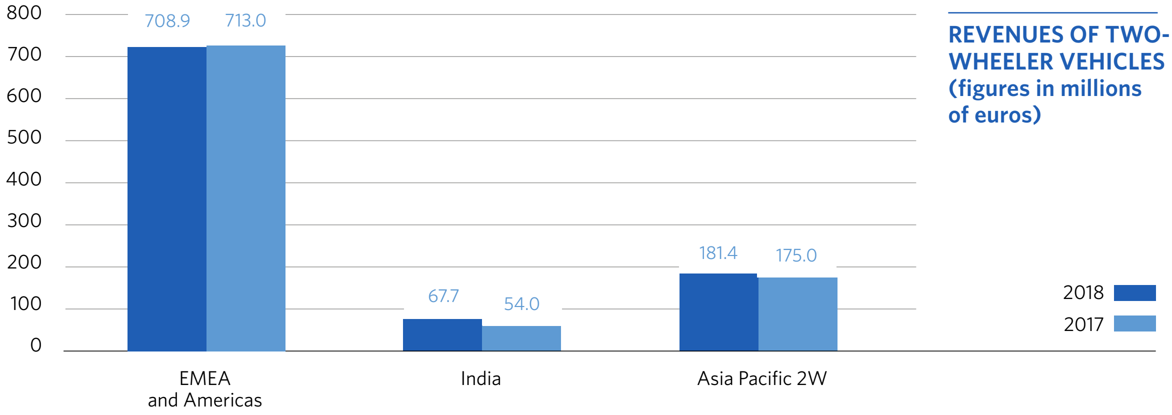
- EMEA and the Americas have production sites and deal with the distribution and sale of two-wheeler and commercial vehicles;
- India has production sites and deals with the distribution and sale of two-wheeler and commercial vehicles;
- Asia Pacific 2W has production sites and deals with the distribution and sale of two-wheeler vehicles.

For details of results and final capital invested by each operating segment, reference is made to the Notes to the Consolidated Financial Statements.
The volumes and turnover in the three geographic segments, also by product type, are analysed below.

TWO-WHEELER

	2018		2017 RESTATED[11]		CHANGE %		CHANGE	
	VOLUMES SELL-IN (UNITS/000)	TURNOVER (MILLION EUROS)	VOLUMES SELL-IN (UNITS/000)	TURNOVER (MILLION EUROS)	VOLUMES	TURNOVER	VOLUMES	TURNOVER
EMEA and Americas	219.1	708.9	230.1	713.0	-4.8%	-0.6%	-11.0	-4.1
of which EMEA	207.7	656.1	216.1	646.0	-3.9%	1.6%	-8.3	10.0
(of which Italy)	*45.0*	*149.2*	*47.5*	*157.0*	*-5.4%*	*-5.0%*	*-2.6*	*-7.8*
of which America	11.4	52.8	14.0	67.0	-18.8%	-21.1%	-2.6	-14.1
India	88.3	67.7	67.7	54.0	30.3%	25.2%	20.5	13.6
Asia Pacific 2W	85.7	181.4	78.2	175.0	9.7%	3.6%	7.6	6.4
Total	**393.1**	**957.9**	**376.0**	**942.1**	**4.6%**	**1.7%**	**17.1**	**15.9**
Scooters	357.2	682.5	343.5	659.6	4.0%	3.5%	13.6	22.9
Motorcycles	36.0	147.5	32.5	159.1	10.8%	-7.3%	3.5	-11.6
Spare parts and Accessories		125.2		121.2		3.3%		4.0
Other		2.7		2.2		22.7%		0.5
Total	**393.1**	**957.9**	**376.0**	**942.1**	**4.6%**	**1.7%**	**17.1**	**15.9**

11 2017 turnover data have been restated adopting IFRS 15.



Two-wheeler vehicles can mainly be grouped into two product segments: scooters and motorcycles, in addition to the related spare parts and accessories business, the sale of engines to third parties, involvement in main two-wheeler sports championships and technical service.

The world two-wheeler market comprises two macro areas, which clearly differ in terms of characteristics and scale of demand: economically advanced countries (Europe, United States, Japan) and emerging nations (Asia Pacific, China, India, Latin America).
In the first macro area, which is a minority segment in terms of volumes, the Piaggio Group has a historical presence, with scooters meeting the need for mobility in urban areas and motorcycles for recreational purposes.
In the second macro area, which in terms of sales, accounts for most of the world market and is the Group's target for expanding operations, two-wheeler vehicles are the primary mode of transport.

Main results

During 2018, the Piaggio Group sold a total of 393,100 two-wheeler vehicles worldwide, accounting for a net turnover equal to approximately €957.9 million, including spare parts and accessories (€125.2 million, +3.3%).
The overall growth in both volumes (+4.6%) and turnover (+1.7%) was generated by the excellent performance of India (+30.3% volume; +25.2% turnover; +30.9 turnover at constant exchange rates) and Asia Pacific (+9.7% volume; +3.6% turnover; +9.3% at constant exchange rates).

Market positioning[12]

On the European market, the Piaggio Group achieved a 14.5% share in 2018 (15.1% in 2017), confirming its leadership position in the scooter segment, where it reached a 25.3% share (+1.1% over 2017). In Italy, the Piaggio Group is a well-established leader in the scooter segment (29.7%) and an important player on the domestic two-wheeler market (a 19.2% share in 2018 and a 20.1% share in 2017).
The Group, with its own sites in India and Vietnam, also operates in the "premium" segment of the Indian market and in Asia Pacific countries. In particular, Piaggio is one of the leading segment operators in Vietnam, which is the Group's main market in the Asian area.
On the North American market, Piaggio consolidated its position, increasing its share from 22.1% in 2017 to 23.9% in 2018. The Group is also committed to consolidating its operations in the motorcycle segment, with the Aprilia and Moto Guzzi brands.

12 Market shares are calculated based on "sell out" volumes, i.e. sales by the distribution network to end purchasers. Market shares for 2017 might differ from figures published last year, due to final vehicle registration data, which some countries publish with a few months' delay, being updated.

The distribution network

EMEA

In EMEA, the Piaggio Group has a direct sales presence in main European countries. On other European markets and in the Middle East and Africa, it operates through importers.
In December 2018, the Group's sales network comprised 1,166 partners managing over 2,800 sales agency agreements for various brands. 37% of these dealers sell only Group brands (one or more), without handling competitors' products.
At present, the Piaggio Group is active in 82 countries in the area and in 2018 further consolidated its sales activities. Actions targeting the distribution network followed market trends in the area, focussing on a better qualitative/quantitative balance for the sales network.
In addition, new sales and after-sales quality standards continued to be distributed, geared to offering end customers a better experience throughout the customer journey.
Guidelines on the distribution network cover the following areas:

1. improving customer experience at the sales outlet, with the implementation of a new retail format which is consistent with the premium positioning of Piaggio products;
2. consolidating local coverage, through a quality-based selection of the network, with the objective of increasing the weight of exclusive Group dealers;
3. consolidating retail channel activities through a gradual increase in the importance of the primary network;
4. improving dealers' financial performance by expanding areas of expertise and opportunities for selling products and services attributable to the Piaggio Group;
5. improving the service level for dealers, through dedicated training and appropriate support tools;
6. continually improving service for end customers, through an integrated platform to manage the entire customer life cycle and customer loyalty.

Americas

In the Americas, the Piaggio Group is directly present in the United States and Canada, while in Latin America it operates through a network of importers. At the end of 2018, the Group had 221 partners, of which 169 in the United States, 34 in Canada and a network of 18 importers in Central and South America.
In 2018, the process to streamline and consolidate the distribution network continued, through the replacement and appointment of new partners to support the growth of Piaggio's brands with a special focus on the motorcycle segment and on consolidating the Group's presence in the scooter segment.

Asia Pacific

In Asia Pacific, the Piaggio Group is directly present in Vietnam, Indonesia, China and Japan, while on other markets it operates through importers managed by the Singapore subsidiary.
The distribution network is developed on an ongoing basis, in line with the Group's strategic objectives that plan to expand operations in the region.
Past and future actions in the Asia Pacific area include:

- an increase in sales outlets, and consolidation of the sales service and other services;
- consolidation of a local presence, with a more focussed, detailed geo-marketing study;
- growth in the size of the sales and after-sales area;
- the gradual channelling of the Corporate Identity towards a Motoplex concept, which is therefore increasingly consistent and uniform in all countries.

In Vietnam, the lead nation of the entire Asia Pacific area, the Group had 86 sales outlets throughout the country by the end of 2018, of which 36% Motoplexes. In Indonesia, Japan and China, Piaggio has a network of 38, 57 and 25 sales outlets respectively.
In other areas of Asia Pacific, the number of sales outlets totalled 245 at the end of 2018, with major changes to the current network focussed on the Motoplex concept. 14 distributors operate in 12 nations - Thailand, Singapore, Taiwan, Australia, Malaysia, South Korea, New Zealand, Cambodia, Hong Kong, the Philippines, Myanmar and Macau. 4 Motoplexes were opened in Hong Kong in 2018, the first Motoplex was inaugurated in Macau, while the Motoplex in Taipei was restyled.

India

In India, Piaggio Vehicles Private Limited had 229 dealers as of 31 December 2018, up considerably on the figure of 135 dealers at the end of 2017. At present, the network covers main areas throughout the country.

Investments

Investments mainly targeted the following areas:
- developing new products and face lifts for existing products;
- improving and modernising current production capacity.

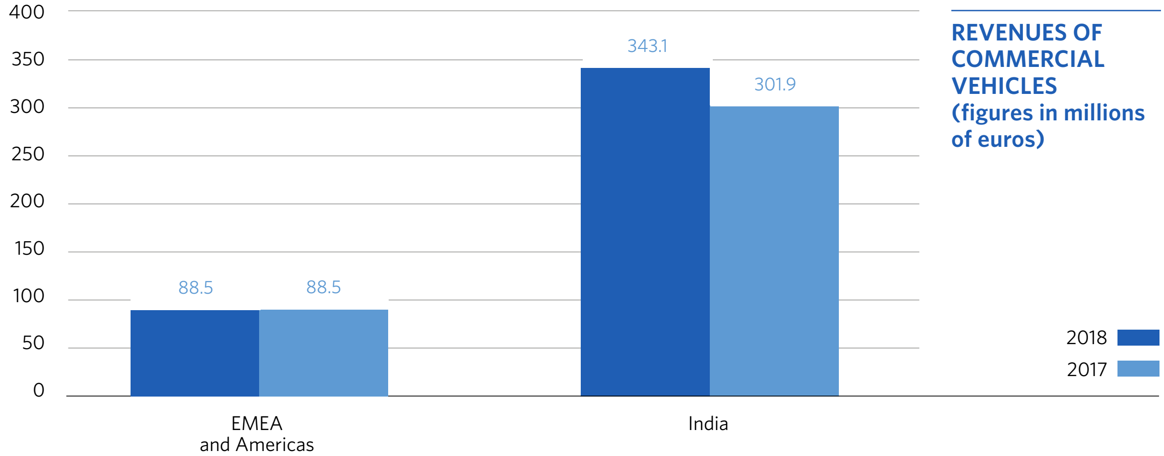
As regards product investments in particular, considerable resources were allocated to developing new products to market on both European and Asian (Vietnamese and Indian) markets.

Industrial investments were also made, targeting safety, quality and the productivity of production processes.

COMMERCIAL VEHICLES

	2018		2017 RESTATED[13]		CHANGE %		CHANGE	
	VOLUMES SELL-IN (UNITS/000)	TURNOVER (MILLION EUROS)	VOLUMES SELL-IN (UNITS/000)	TURNOVER (MILLION EUROS)	VOLUMES	TURNOVER	VOLUMES	TURNOVER
EMEA and Americas	16.3	88.5	15.8	88.5	3.2%	0.1%	0.5	0.1
of which EMEA	14.3	84.4	14.0	84.7	2.0%	-0.3%	0.3	-0.3
(of which Italy)	*3.7*	*46.2*	*4.8*	*47.5*	*-22.8%*	*-2.6%*	*-1.1*	*-1.3*
of which America	2.1	4.1	1.8	3.8	11.7%	9.3%	0.2	0.3
India	194.2	343.1	160.9	301.9	20.7%	13.6%	33.2	41.2
TOTAL	**210.5**	**431.6**	**176.8**	**390.4**	**19.1%**	**10.6%**	**33.7**	**41.3**
Ape	204.7	330.7	170.6	295.2	20.0%	12.0%	34.1	35.5
Porter	4.0	47.6	3.6	42.4	10.0%	12.3%	0.4	5.2
Quargo	0.9	3.2	0.3	1.3	214.1%	144.3%	0.6	1.9
Mini Truk	0.9	2.4	2.3	6.3	-59.7%	-61.5%	-1.4	-3.9
Spare parts and Accessories		47.7		45.1		5.6%		2.5
TOTAL	**210.5**	**431.6**	**176.8**	**390.4**	**19.1%**	**10.6%**	**33.7**	**41.3**

13 2017 turnover data have been restated adopting IFRS 15.



The Commercial Vehicles category includes three- and four-wheelers with a maximum mass below 3.5 tons (category N1 in Europe) designed for commercial and private use, and related spare parts and accessories.

Main results

In 2018, the Commercial Vehicles business generated a turnover of approximately €431.6 million, including approximately €47.7 million relative to spare parts and accessories, registering a 10.6% increase over the previous year. During the year, 210,500 units were sold, up by 19.1% compared to 2017.
The growth is related to the expansion of the Indian market. On the Indian three-wheeler market, Group sales reversed their trend, increasing from 144,377 units in 2017 to 167,362 units in 2018, up by 15.9%; exports also improved (24,980 thee-wheeler vehicles; 14,097 in 2017) up by 77.2%.
On the domestic four-wheeler market, sales of Piaggio Vehicles Private Limited decreased by 22% in 2018 compared to 2017, closing with 1,822 units.
On the EMEA and Americas market, the Piaggio Group sold 16,300 units, generating a total net turnover of approximately €88.5 million, including spare parts and accessories for €16.5 million. The 3.2% increase in sales was supported by the good performance of the reference EMEA market.

Market positioning[14]

The Piaggio Group operates in Europe and India on the light commercial vehicles market, with vehicles designed for short-range mobility in urban areas (European range) and suburban areas (the product range for India).

In Europe, the Group acts as operator on these markets in a niche segment (urban mobility), thanks to its range of low environmental impact products.

Piaggio operates in India in the passenger vehicle and cargo sub-segments of the three-wheeler market. It also operates on the four-wheeler light commercial vehicles (LCV) market (cargo vehicles for goods transport) with the Indian Porter range.

On the Indian three-wheeler market, Piaggio Vehicles Private Limited had a market share of 23.3% in 2018 (26.5% in 2017). Detailed analysis of the market shows that Piaggio Vehicles Private Limited maintained its market leader position in the goods transport segment (cargo segment) with a share of 44.9% (48.8% in 2017). Its market share, although decreasing, remained steady in the Passenger segment, at 18.7% (20.6% in 2017). On the four-wheeler market, Piaggio Vehicles Private Limited played a marginal role, with its share decreasing to 0.8% (1.7% in 2017).

14 Market shares are calculated based on "sell out" volumes, i.e. sales by the distribution network to end purchasers. Market shares for 2017 might differ from figures published last year, due to final vehicle registration data, which some countries publish with a few months' delay, being updated.

The distribution network

Europe and Overseas

Piaggio's sales network is going through considerable change, based on the current project to develop a new four-wheeler vehicle that will expand the product range and make its mark in a competitive scenario which differs from the current situation.
In Europe, the basically stable number of dealers (around 400) is the result of a balance between new appointments and streamlining actions, with some operators considered to no longer be in line with current and/or future expectations being withdrawn. In general, an assessment process was carried out in 2018 to define two separate distribution channels: one channel for the sale of three-wheelers and one for the sale of four-wheelers.
The characteristics of the future four-wheeler call for a dedicated network with operators specialised in professional vehicles, that are of a size and structure and have the skills and staff to contribute not only to guaranteeing outstanding coverage of the future potential market, but also to achieving a considerable quality upgrade. This is why Piaggio has not only assessed its current operators, but has also started to recruit dealers specialised in the sale of commercial vehicles, in order to realign upwards with the standards of all official operators by the end of 2019.
Ten new dealers were appointed on European markets in 2018 where Piaggio operates directly through its own sales network. Another twelve new operators will join the network in the first quarter of 2019.
Activities to develop the network on European markets where Piaggio operates through official importers involved some important engagement with various international groups from the automotive industry, capable in some cases of covering very extensive areas with their own, consolidated distribution network.
As regards non-European areas, with a view to developing the quality of Piaggio's operations, the process to revise the distribution network continued, with results continually being consolidated. Piaggio, including importers in Latin America, Africa and Asia, is present in 25 countries; the objective for 2019 is to increase and further consolidate coverage in terms of the company's general objectives.

India

In India, Piaggio Vehicles Private Limited has 424 dealers, up on the 365 dealers in 2017.

Investments

Investments mainly targeted the following areas:
- developing new products and face lifts for existing products;
- improving and modernising current production capacity.

Industrial investments were also made, targeting safety, quality and the productivity of production processes.


aprilia

RISKS AND UNCERTAINTIES

Due to the nature of its business, the Group is exposed to different types of risks. To mitigate exposure to these risks, the Group has adopted a structured and integrated system to identify, measure and manage company risks, in line with industry best practices (i.e. CoSO ERM). Scenarios applicable to Group operations were mapped, involving all organisational units. These scenarios were then grouped as referring to external, strategic, financial or operational risk.
At the end of 2018, a campaign was launched to update the risk assessment analysis, that will involve newly appointed company managers.

EXTERNAL RISKS

Risks related to the macroeconomic and geopolitical context

To mitigate any negative effects arising from the macroeconomic and geopolitical context, the Piaggio Group continued its strategic vision, diversifying operations at international level - in particular in Asia where growth rates of economies are still high, and consolidating the competitive positioning of its products. To achieve this, the Group focuses on research activities, and in particular on the development of engines with a low consumption and a low or zero environmental impact.

As regards Great Britain's decision to leave the European Community, the Group considers the effects on global sales and profitability as negligible. In fact, the Group's turnover on the British market accounts for around 2% of total turnover.

Risks connected to consumer trends

Piaggio's success depends on its ability to manufacture products that cater for consumer's tastes and can meet their needs for mobility. Levering customer expectations and emerging needs, with reference to its product range and customer experience, is essential for the Group to maintain a competitive edge.
Through market analysis, focus groups, concept and product testing, investments in research and development and sharing a roadmap with suppliers and partners, Piaggio can seize emerging market trends to renew its own product range.
Customer feedback enables Piaggio to evaluate customer satisfaction levels and fine tune its own sales and after-sales service model.

Risks related to a high level of market competition

Over the last few years, the characteristics and dynamics of the competitive background of markets on which the Group operates have changed considerably, above all regarding prices, also due to a declining demand worldwide. In addition, the Group is exposed to the actions of competitors that, through technological innovation or replacement products, could obtain products with better quality standards and streamline costs, offering products at more competitive prices.
Piaggio has tried to tackle this risk, which could have a negative impact on the financial position and performance of the Group, by manufacturing high quality products that are innovative, cost-effective, reliable and safe, and by consolidating its presence in Asia.

Risk relative to the regulatory and legal framework

Numerous national and international laws and regulations on safety, noise levels, consumption and the emission of pollutant gases apply to Piaggio products. Strict regulations on atmospheric emissions, waste disposal, the drainage and disposal of water and other pollutants also apply to the Group's production sites.
Unfavourable changes in the regulatory and/or legal framework at a national and international level could mean that products can no longer be sold on the market, forcing manufacturers to invest to renew their product ranges and/or renovate/upgrade production plants.
To deal with these risks, the Group has always invested in research and development into innovative products, anticipating any restrictions on current regulations. Moreover, the Group, as one of the sector's leading manufacturers, is often requested to be represented on parliamentary committees appointed to discuss and formulate new laws.

Risks connected with natural events

The Group operates through industrial sites located in Italy, India and Vietnam. These sites could be affected by natural events, such as earthquakes, typhoons, flooding and other catastrophes that may damage sites and also slow down/interrupt production and sales.
Continual renewal of the sites prevents these risk scenarios. The potential impact of these risks is mitigated by specific insurance cover taken out for various sites based on their relative importance.

Risk connected with the use of new technologies

The Piaggio Group is exposed to risk from the difficulty of keeping abreast with new product and production process technologies. To tackle this risk, departments at Pontedera in Italy and PADc – the Piaggio Advance Design Center in Pasadena are dedicated to research, development and trialling new technological solutions (thanks also to Aprilia Racing's experience in MotoGP racing), while Piaggio Fast Forward in Boston is studying innovative solutions to anticipate and meet future mobility needs.

Risks connected with the sales network

The Group's business is closely related to the sales network's ability to guarantee end customers a high quality sales and after-sales service. Piaggio deals with this risk by establishing specific technical/professional standards to adopt in contracts, and by adopting periodic controls.

Risks connected with external offences

As regards this category, the main potential risks refer to fraudulent events connected with cyber attacks. These risks may stop activities supporting production and sale or compromise the confidentiality of personal data managed by the Group. To mitigate the occurrence of these risks, Piaggio has adopted a system of controls to improve the Group's IT security.

STRATEGIC RISKS

Reputational and Corporate Social Responsibility risks

In carrying out its operations, the Group could be exposed to stakeholders' perception of the Group and its reputation and their loyalty changing for the worse because of the release of detrimental information or due to sustainability requirements in the Corporate Governance Report not being met, as regards economic, environmental, social and product-related aspects.

Risks connected with the definition of strategies

In defining its strategic objectives, the Group could make errors of judgement with a consequent impact on its image and financial performance.

Risks connected with the adoption of strategies

In carrying out its operations, the Group could be exposed to risks from the wrong or incomplete adoption of strategies, with a consequent negative impact on achieving the Group's strategic objectives.

FINANCIAL RISKS

Risks connected with exchange rate trends

The Piaggio Group undertakes operations in currencies other than the euro and this exposes it to the risk of fluctuating exchange rates of different currencies.
Exposure to business risk consists of envisaged payables and receivables in foreign currency, taken from the budget for sales and purchases reclassified by currency and accrued on a monthly basis.
The Group's policy is to hedge at least 66% of the exposure of each reference month.
Exposure to the settlement risk consists of receivables and payables in foreign currency acquired in the accounting system at any moment. The hedge must at all times be equal to 100% of the import, export or net settlement exposure for each currency.
During the year, currency exposure was managed based on a policy that aims to neutralise the possible negative effects of exchange rate variations on company cash flow. This was achieved by hedging economic risk, which refers to changes in company profitability compared to the planned annual economic budget, based on a reference change (the "budget change"), and transaction risk, which refers to differences between the exchange rate at which receivables and payables are recognised in currency in the financial statements and the exchange rate at which the relative amount received or paid is recognised.
The Group has assets and liabilities which are sensitive to changes in interest rates and are necessary to manage liquidity and financial requirements. These assets and liabilities are subject to an interest rate risk and are hedged by derivatives or by specific fixed-rate loan agreements.
For a further description, reference is made to section 44 of the Notes to the Consolidated Financial Statements.

Risks connected with insufficient cash flows and access to the credit market

The Group is exposed to the risk arising from the production of cash flows that are not sufficient to guarantee Group payments due, or adequate profitability and growth to achieve its strategic objectives. Moreover, this risk is connected with the difficulty the Group may have in obtaining loans or a worsening in conditions of loans necessary to support Group operations in appropriate time frames.

To deal with these risks, cash flows and the Group's credit line needs are monitored or managed centrally under the control of the Group's Treasury in order to guarantee an effective and efficient management of financial resources as well as optimise the debt maturity standpoint.
In addition, the Parent Company finances the temporary cash requirements of Group companies by providing direct short-term loans regulated in market conditions or guarantees.

Risks connected with credit quality of counterparties

This risk is connected with any downgrading of the credit rating of customers and consequent possibility of late payments, or the insolvency of customers and consequent failure to receive payments.
To balance this risk, the Parent Company evaluates the financial reliability of its business partners and stipulates agreements with primary factoring companies in Italy and other countries for the sale of trade receivables without recourse.

Risks connected with deleverage

This risk is connected with compliance with covenants and targets to reduce loans, to maintain a sustainable debt/equity balance.
To offset this risk, the measurement of financial covenants and other contract commitments is monitored by the Group on an ongoing basis.

OPERATING RISKS

Risks relative to the product

The "Product" category includes all risks concerning faults due to a nonconforming quality and safety and consequent recall campaigns that could expose the Group to: the costs of managing campaigns, replacing vehicles, claims for compensation and above all if faults are not managed correctly and/or are recurrent, damage to its reputation.
To mitigate these risks, Piaggio has established a Quality Control system, it tests products during various stages of the production process and carefully sources its suppliers based on technical/professional standards. The Group has also defined plans to manage recall events and has taken out insurance to protect the Group against events attributable to product defects.

Risks connected with the production process / business continuity

The Group is exposed to risk connected with possible interruptions to company production, due to the unavailability of raw materials or components, skilled labour, systems or other resources.
To deal with these risks, the Group has necessary maintenance plans, invests in upgrading machinery, has a flexible production capacity and sources from several suppliers of components to prevent the unavailability of one supplier affecting company production. Moreover, the operating risks related to industrial sites in Italy and other countries are managed through specific insurance cover assigned to sites based on their relative importance.

Risks connected with the supply chain

In carrying out its operations, the Group sources raw materials, semifinished products and components from a number of suppliers. Group operations are conditioned by the ability of its suppliers to guarantee the quality standards and specifications requested for products, as well as relative delivery times. To mitigate these risks, the Group qualifies and periodically evaluates its suppliers based on professional/technical/financial criteria in line with international standards.

Risks connected with the environment and with health and safety

The Group has production sites, research and development centres and sales offices in different nations and so is exposed to the risk of not being able to guarantee a safe working environment, with the risk of causing potential harm to property or people and exposing the Group to legal sanctions, lawsuits brought by employees, costs for compensation payments and reputational harm.
To mitigate these risks, Piaggio adopts a sustainable development model that is based on environmental sustainability, in terms of safeguarding natural resources and the possibility that the ecosystem might absorb the direct and indirect impact of production activities. Specifically, Piaggio seeks to minimise the environmental impact of its industrial activities through careful definition of the technological transformation cycle and using the best technologies and most modern methods of production.
The risks related to accidents/injuries sustained by personnel are mitigated by aligning processes, procedures and structures with applicable Occupational Safety laws, as well as best international standards.
These commitments, enacted in the Code of Ethics[15] and stated by top management in the Group's "environmental policy" which is the basis for environmental certification (ISO 14001) and health and safety certification (BS OHSAS 18001) already awarded and maintained at production sites, is a mandatory benchmark for all company sites no matter where they are working.

Risks connected with processes and procedures adopted

The Group is exposed to the risk of shortcomings in planning its company processes or errors and deficiencies in carrying out operations.
To deal with this risk, the Group has established a system of directives comprising organisational notices and Manuals/Policies, Management Procedures, Operating Procedures and Work Instructions. All documents relative to Group processes and procedures are part of the single Group Document Information System, with access that is regulated and managed on the company intranet.

Risks relative to human resources

The main risks the Group is exposed to concerning human resources management include the ability to recruit expertise, professionalism and experience necessary to achieve objectives. To offset these risks, the Group has established specific policies for recruitment, career development, training, remuneration and talent management, which are adopted in all countries where the Group operates according to the same principles of merit, fairness and transparency, and focussing on aspects that are relevant for the local culture.
In Europe, the Piaggio Group operates in an industrial context with a strong trade union presence, and is potentially exposed to the risk of strikes and interruptions to production activities.
In the recent past, the Group was not affected by major interruptions to production because of strikes. To avoid the risk of interruptions to production activities, as far as possible, the Group bases its relations with trade union organisations on dialogue.

15 Code of Ethics - Article 8: "Without prejudice to compliance with the specific applicable regulation, the Company pays attention to environmental issues in its decisions, also adopting - where operationally and economically feasible and compatible - environmentally friendly production technologies and methods, with the aim of reducing the environmental impact of its activities".

Legal risks

The Piaggio Group legally protects its products and brands throughout the world. In some countries where the Group operates, laws do not offer certain standards of protection for intellectual property rights. This circumstance could render the measures adopted by the Group to protect itself from the unlawful use of these rights by third parties inadequate.
Within the framework of its operations, the Group is involved in legal and tax proceedings. As regards some of the proceedings, the Group could be in a position where it is not able to effectively quantify potential liabilities that could arise. A detailed analysis of the main disputes is provided in the specific paragraph in the Notes to the Consolidated Financial Statements.

Risks relative to internal offences

The Group is exposed to risks of its employees committing offences, such as fraud, active and passive corruption, acts of vandalism or damage that could have negative effects on its business results in the year, and also harm the image and integrity of the Company and its reputation. To prevent these risks, the Group has adopted a Model pursuant to Legislative Decree no. 231/2001 and a Code of Ethics which sets out the principles and values the entire organisation takes inspiration from.

Risks relative to reporting

The Group is exposed to the risk of possible inadequacies in its procedures that are intended to ensure compliance with Italian and relevant foreign regulations applicable to financial disclosure, running the risk of fines and other sanctions. In particular there is a risk that financial reporting for Group stakeholders is not accurate and reliable due to significant errors or the omission of material facts and that the Group provides disclosure required by applicable laws in a manner which is inadequate, inaccurate or untimely.
To deal with these risks, the financial statements are audited by Independent Auditors. Moreover, the control activities required by Italian Law 262/2005 were extended to cover the most important subsidiaries, Piaggio Vehicles Pvt. Ltd., Piaggio Vietnam Co.Ltd., Aprilia Racing Srl and Piaggio Group Americas Inc.

SIGNIFICANT EVENTS OCCURRING AFTER THE END OF THE PERIOD

16 January 2019 – The rating agency Moody's Investors Service (Moody's) notified its revised rating of the Piaggio Group (PIA.MI), from "B1" to "Ba3".

OPERATING OUTLOOK

In a context where the Piaggio Group has consolidated its position on global markets, the Group is committed to:

- confirming its leadership position on the European two-wheeler market, optimally levering expected recovery by further consolidating the scooter and motorcycle product ranges;
- maintaining current positions on the European commercial vehicles markets, further consolidating the sales network;
- consolidating its presence in Asia Pacific, exploring new opportunities in countries in the area, with a particular focus on the premium segment of the market;
- strengthening sales on the Indian scooter market thanks to the Vespa and Aprilia product ranges;
- increasing the penetration of commercial vehicles in India, thanks to the introduction of new engines.

From a technological point of view, the Piaggio Group will continue research to develop new solutions for current and future mobility challenges through the efforts of Piaggio Fast Forward (Boston) and to explore the new frontiers of design through PADc (Piaggio Advanced Design center) in Pasadena.

More in general, the Group is committed - as in the past and for operations in 2019 - to increasing productivity with a strong focus on efficient costs and investments, while complying with its business ethics.

TRANSACTIONS WITH RELATED PARTIES

Revenues, costs, payables and receivables as of 31 December 2018 involving parent companies, subsidiaries and affiliated companies refer to the sale of goods or services which are a part of normal operations of the Group.
Transactions are carried out at normal market values, depending on the characteristics of the goods and services provided.
Information on transactions with related parties, including information required by Consob in its communication of 28 July 2006 DEM/6064293, is given in the notes to the Consolidated Financial Statements and notes to the separate Financial Statements of the Parent Company.
The procedure for transactions with related parties, pursuant to article 4 of Consob Regulation no. 17221 of 12 March 2010 as amended, approved by the Board on 30 September 2010, is published on the institutional site of the Issuer www.piaggiogroup.com, under Governance.

INVESTMENTS OF MEMBERS OF THE BOARD OF DIRECTORS AND MEMBERS OF THE CONTROL COMMITTEE

Members of the board of directors and members of the control committee of the Issuer do not hold shares in the Issuer.

CORPORATE GOVERNANCE

PROFILE

The Company is organised in accordance with the traditional administration and control model mentioned in articles 2380-bis et seq. of the Italian Civil Code, with the Shareholders' Meeting, the Board of Directors and the Board of Statutory Auditors.
The Chairman and Chief Executive Officer of the Company is Roberto Colaninno, the Deputy Chairman is Matteo Colaninno.
The Board of Directors has given the Director Michele Colaninno powers to operate in the context of the development of Group operations and product and marketing strategies.
The Company has adopted the Corporate Governance Code of Borsa Italiana S.p.A. and observes principles of corporate governance contained in the code.
The Company is subject to the management and coordination of IMMSI S.p.A. pursuant to article 2497 et seq. of the Italian Civil Code.

BOARD OF DIRECTORS

The Board of Directors of the Company in office at the date of this Report comprises nine members, appointed by the Ordinary General Meeting of Shareholders of 16 April 2018 based on the two lists of candidates submitted by the majority shareholder IMMSI S.p.A. and by the Legal Practice Trevisan & Associati. The Board of Directors will remain in office until the date of the Ordinary General Meeting of Shareholders called for approval of the Financial Statements for the financial year ending 31 December 2020.

The majority of the Board of Directors are non-executive, independent directors, and their number and authority are such that they ensure that their opinion has a significant weight in the Issuer's Board decisions. Non-executive directors and independent directors bring their specific competencies to Board discussions, contributing to the making of decisions that conform to corporate interests.

COMMITTEES

The Appointment Proposal Committee, the Remuneration Committee, the Internal Control and risk management Committee and the Related Parties Transactions Committee have been established within the Board.

INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

The internal control and risk management system requires the Board, after consulting with the Internal Control and Risk Management Committee, to define guidelines for the internal control and risk management system which comprises all processes to identify, measure, manage and monitor main risks. This system helps ensure efficient and effective company operations, the reliability of financial information, compliance with laws and regulations as well as the company's articles of association and with internal procedures, and the safeguarding of company assets.
In this context, the Board of Directors is assisted by a Director appointed to oversee operation of the internal control and risk management system and an Internal Control and risk management Committee.
The Board of Directors, in response to a proposal by the Director in charge of the internal control and risk management system and having obtained the opinion of the Internal Control and risk management Committee and the Board of Statutory Auditors, appointed the Internal Auditing Supervisor to verify that the internal control and risk management system is operative and adequate, ensuring that he/she receives adequate means to carry out his/her functions, including - as regards the operating structure and internal organisational procedures - access to information needed for his/her position.

BOARD OF STATUTORY AUDITORS

The Board of Statutory Auditors in office at the date of this Report was elected by the Ordinary General Meeting of Shareholders held on 16 April 2018, based on the two lists of candidates submitted by the majority shareholder IMMSI S.p.A. and by the Legal Practice Trevisan & Associati, in accordance with the provisions of article 24.2 of the Articles of Association, and will hold office until approval of the annual financial statements for the year ending 31 December 2020.

CORPORATE GOVERNANCE REPORT

The Company produces an annual Report on Corporate Governance and Corporate Ownership, describing the corporate governance system adopted by the Issuer, and containing information on corporate ownership and the internal control and risk management system. The entire report is available on the website of the Issuer www.piaggiogroup.com under Governance.

OTHER INFORMATION

PERSONAL DATA PROCESSING – LEGISLATIVE DECREE NO. 196 OF 30 JUNE 2003 – REGULATION (EU) 679 OF 27 APRIL 2016 (GDPR – GENERAL DATA PROTECTION REGULATION)

With reference to the obligations of the "Consolidated Privacy Act", enacted with Italian Legislative Decree no. 196 of 30 June 2003, – Annex B), Technical Regulations – Piaggio & C. S.p.A., as Data Controller, has adopted the security measures listed in the regulations.
Following the entry into force of Regulation (EU) 2016/679 on the protection of natural persons with regard to the processing of personal data (GDPR), the company has completed the process to align with regulations.
The Company is responsible, in accordance with law and in its capacity as "Controller", for all personal data processing it carries out and in view of this responsibility, adopts adequate security measures in relation to risks for the rights and freedoms of natural persons. To guarantee effective data processing, the Board of Directors has appointed an officer from its members who, in the name and on behalf of the Company, independently takes decisions as to the purposes and procedures of personal data processing and instruments used, including the adoption and monitoring of security measures and their adequacy, and supervises all personal data processing activities carried out by the Company.
In compliance with the GDPR, and considering that the Company's operations involve, inter alia, the regular and systematic monitoring of the personal data of natural persons, a Data Protection Officer (DPO) has also been appointed, as provided for by articles 37-39 of the GDPR, who acts as consultant to company functions on privacy, and inspects personal data management activities, as the reference point within the Company for all matters concerning personal data processing and as the interface with the Italian Data Protection Authority.

ARTICLE 36 OF THE CONSOB REGULATION ON MARKETS (ADOPTED WITH CONSOB RESOLUTION NO. 16191/2007 AS AMENDED): CONDITIONS FOR LISTING COMPANIES CONTROLLING COMPANIES ESTABLISHED AND GOVERNED ACCORDING TO LAWS OF NON-EU MEMBER STATES ON THE STOCK EXCHANGE

As regards regulatory requirements on conditions for listing companies controlling companies established and governed according to laws of non-EU Member States on the stock exchange and material importance for the purposes of consolidated financial statements, the following is reported:
- as of 31 December 2018, the regulatory requirements of article 36 of the Regulation on Markets apply to the subsidiaries: Piaggio Vehicles Private Limited, Piaggio Vietnam Co Ltd and Piaggio Group Americas Inc;
- adequate procedures for ensuring full compliance with the above regulation have been adopted.

ARTICLE 37 OF THE CONSOB REGULATION ON MARKETS: CONDITIONS PREVENTING THE LISTING OF SHARES OF SUBSIDIARIES SUBJECT TO THE MANAGEMENT AND COORDINATION OF ANOTHER COMPANY

Pursuant to article 2.6.2, section 13 of the Regulation of Stock Markets organised and managed by Borsa Italiana S.p.A., the conditions as of article 37 of Consob regulation no. 16191/2007 exist.

ARTICLE 2428 OF THE ITALIAN CIVIL CODE

The information required as of article 2428 paragraphs 1, 2, 3 and 6 is given in the Report on Operations. Information on financial instruments, objectives and policies of the Group concerning financial risk management is given in section F of the Notes to the Consolidated Financial Statements and in section E of the Parent Company's Financial Statements. Information about secondary sites of the Parent Company is given in section A of the Parent Company's Financial Statements.

PARAGRAPH 125 OF LAW NO. 124/2017 OF 4 AUGUST 2017

In compliance with paragraph 125 of Law no. 124/2017 of 4 August 2017, details per project are given below of funds received during 2018 and revenues from public administrations:

PROJECTS	FUNDING ENTITY	2018 FUNDS
FIGURES IN EURO		
MADE IN ITALY (DE.TECH)	Ministry for Economic Development in the Industry 2015-Made in Italy award	18,481.95
RESOLVE	European Commission - Horizon 2020 prizes	372,862.64
PIONEERS	European Commission - Horizon 2020 prizes	215,514.10
CENTAURO	Tuscany Region in the FAR-FAS 2014 call	120,971.91
Total		**727,830.60**

CUSTOMERS	2018 REVENUES
FIGURES IN EURO	
Italian Municipalities	466,759.49
Arma dei Carabinieri	57,509.45
Schools and Universities	44,713.00
Guardia di Finanza	12,760.10
Consiglio Nazionale delle Ricerche	409.84
U.S.L (Local Health Authority)	250.00
Total	**582,401.88**

STATEMENT OF RECONCILIATION BETWEEN SHAREHOLDERS' EQUITY AND NET PROFIT FOR THE PERIOD OF THE PARENT COMPANY AND CONSOLIDATED COMPANIES

IN THOUSANDS OF EUROS	SHAREHOL-DERS' EQUITY 31/12/2017	2018 RESULT	OTHER CHANGES	SHAREHOL-DERS' EQUITY 31/12/2018
Piaggio & C. SpA	**310,613**	**35,578**	**(28,806)**	**317,385**
Net profit and shareholders' equity of subsidiaries	216,861	54,237	(38,898)	232,200
Elimination of the carrying amount of investments	(135,534)	(54,141)	40,104	(149,571)
Elimination of the effects of intergroup transactions	(6,880)	401	(1,583)	(8,062)
Piaggio Group	**385,060**	**36,075**	**(29,183)**	**391,952**

ECONOMIC GLOSSARY

Net working capital: defined as the net sum of: Trade receivables, Other current and non-current receivables, Inventories, Trade payables, Other current and non-current payables, Current and non-current tax receivables, Deferred tax assets, Current and non-current tax payables and Deferred tax liabilities.

Net property, plant and equipment: consist of property, plant, machinery and industrial equipment, net of accumulated depreciation, investment property and assets held for sale.

Net intangible assets: consist of capitalised development costs, costs for patents and know-how and goodwill arising from acquisition/merger operations carried out by the Group.

Financial assets: defined by the Directors as the sum of investments and other non-current financial assets.

Provisions: consist of retirement funds and employee benefits, other long-term provisions and the current portion of other long-term provisions.

Gross industrial margin: defined as the difference between “Revenues” and corresponding “Cost to sell” of the period.

Cost to sell: include the cost for materials (direct and consumables), accessory purchase costs (transport of incoming material, customs, movements and warehousing), employee costs for direct and indirect manpower and related expenses, work carried out by third parties, energy costs, depreciation of property, plant, equipment and industrial equipment, external maintenance and cleaning costs net of sundry cost recovery recharged to suppliers.

Operating expenses: consist of employee costs, costs for services, leases and rentals, and additional operational expenditure net of operating income not included in the gross industrial margin. Operating expenses also include amortisation and depreciation not included in the calculation of the gross industrial margin.

Consolidated EBITDA: defined as “Operating income” before the amortisation/depreciation and impairment costs of intangible assets and property, plant and equipment, as resulting from the Consolidated Income Statement.

Net capital employed: determined as the algebraic sum of “Net fixed assets”, “Net working capital” and provisions.

In some cases, data could be affected by rounding off defects due to the fact that figures are represented in millions of Euros; changes and percentages are calculated from figures in thousands of euros and not from rounded off figures in millions of Euros.


MOTORLEX
PIAGGIO
aprilia
MOTO GUZZI
BANGKOK

CONSOLIDATED NON-FINANCIAL STATEMENT - LEGISLATIVE DECREE NO. 254 OF 30 DECEMBER 2016

GENERAL

This "Non-Financial Statement" (hereinafter also "NFS" or statement), which will be prepared annually, is published by Piaggio & C. S.p.A. (hereinafter "Piaggio" or the "Group") in compliance with Legislative Decree no. 254/2016 ("Implementation of Directive 2014/95/EU of the European Parliament and of the Council of 22 October 2014 amending Directive 2013/34/EU as regards disclosure of non-financial and diversity information by certain large undertakings and groups).

REPORTING PERIOD	- Financial year 2018 (from 1 January to 31 December 2018). Data relative to 2017 are presented for comparison.
SCOPE OF THE REPORT	- The information and figures in the NFS refer to subsidiaries (Italian and foreign) and the Fondazione Piaggio and the activities they engaged in over the course of the year, unless otherwise indicated. Information on the Fondazione Piaggio, which is not included in the scope of consolidation of the Group, refers to qualitative aspects useful for understanding its focus on the social fabric, even though this information is not included in the scope of consolidation of quantitative information of the NFS. The report duly indicates when aggregate data derive from estimates. In some cases, data could be affected by rounding off defects due to the fact that figures are represented in millions of Euros; changes and the incidence in percent were calculated based on data expressed in thousands and not on the rounded figures expressed in millions.
CONTENTS OF THE REPORT	- The contents of the NFS were selected based on a process of materiality, focussing on the non-financial topics required by the Directive. All sustainability issues are fully described in the 2018 CSR Report available at www.piaggio.com.
REPORTING STANDARD	- The 2018 Non-Financial Statement has been prepared in compliance with the "GRI Standards" (GRI-Referenced), published by Global Reporting Initiative.

The "Table of correspondence with Legislative Decree no. 254/2016 - material topics – GRI Standards – core option" which clearly identifies the non-financial material topics for the Piaggio Group and standards used to report on each topic, is included at the end of the statement. This table also contains specific information in compliance with requirements of Legislative Decree no. 254/2016.

SOCIAL AND ENVIRONMENTAL-ORIENTED POLICIES AND GUIDELINES

The Piaggio Group has established a system of policies, including its anti-corruption policy and environmental, training, safety and quality policies, to guarantee compliance with principles of fairness, transparency, honesty and integrity in keeping with international standards on responsible business management.
The Group operates in diverse geographic, legal and cultural contexts. Therefore its policies and guidelines are put in place by each company through their own operating procedures and practices.
The cornerstone of the system is the Group's Code of Ethics - not only for employees, but also for suppliers who must sign and comply with the Code in order to work with Piaggio.
The Code of Ethics is adopted by all Group Companies and sets out the principles and values that inspire the entire organisation in a clear and transparent manner:
- complying with the laws of countries where Piaggio operates;
- dismissing and condemning unlawful and improper behaviour;
- preventing breaches of lawfulness, constant search for transparency and openness in managing the business;
- seeking excellence and market competitiveness;
- respecting, protecting and valuing human resources;
- pursuing sustainable development while respecting the environment and rights of future generations.

DESCRIPTION OF THE PROCESS TO IDENTIFY MATERIAL ISSUES FOR NON-FINANCIAL STATEMENT PURPOSES

The contents are based on principles of materiality, the inclusion of stakeholders, the context of sustainability and completeness. The quality of information and adequacy of its presentation is guaranteed by principles of fairness, clarity, accuracy, timeliness, comparability and reliability.

Materiality analysis

The analysis process was conducted by the Group Consolidated Financial Statements Unit of the Administration, Finance and Control Function. The process comprises 4 stages:

1. identification of sustainability issues;
2. identification and involvement of relevant stakeholders;
3. assessment of the significance of topics;
4. approval.

The stage to identify sustainability topics that are relevant for the sector and Piaggio was based on a number of sources, including company policies and principles on conduct, the 2017 Sustainability Report and stakeholder engagement initiatives.

The Piaggio Group has always paid considerable attention to engaging with stakeholders, i.e. all entities inside and outside the organisation whose activities have an impact on company operations. In fact stakeholders are defined as having an interest in or expectations (social, economic, professional, human) of the company.
Based on this definition, the Group has identified a series of categories of stakeholders in relation to its operations.

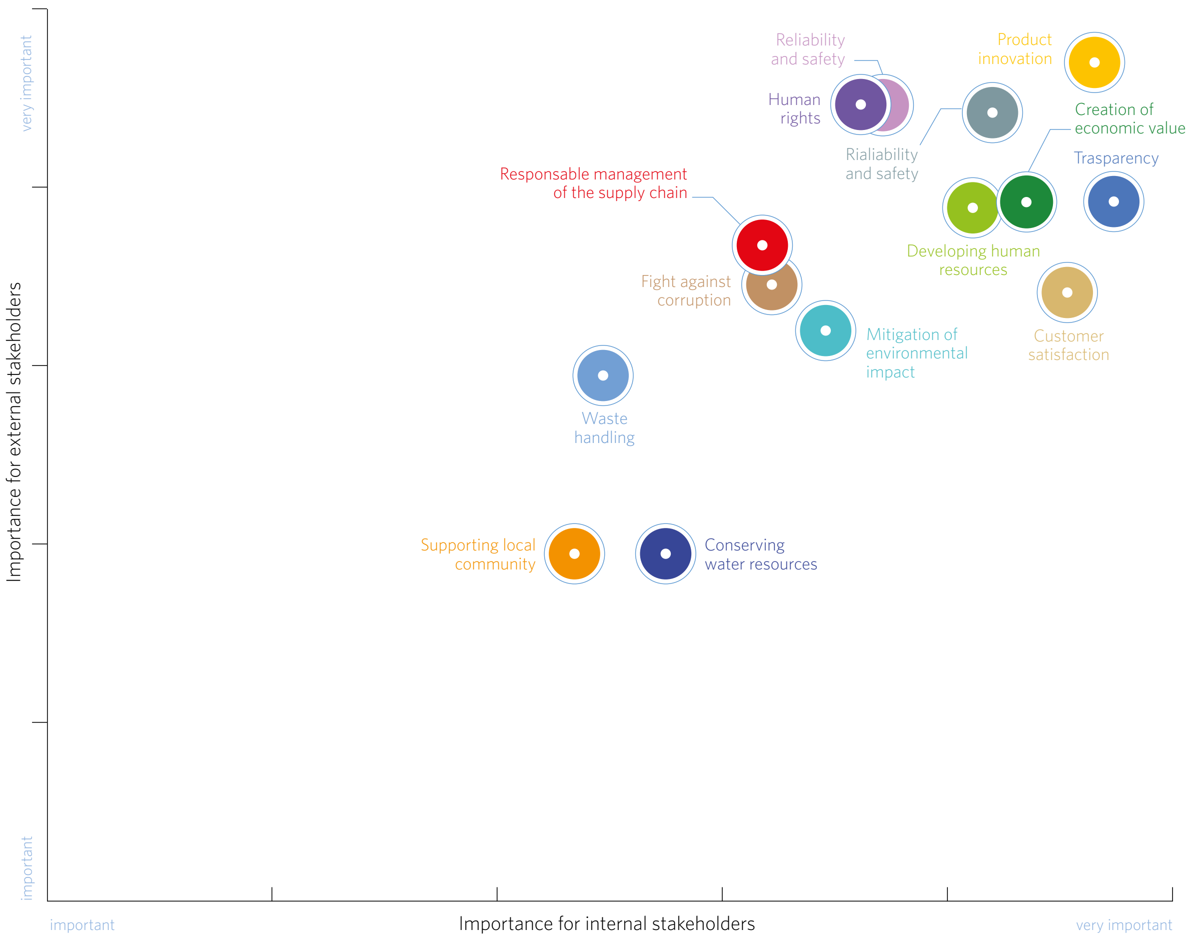
MAP OF PIAGGIO GROUP STAKEHOLDERS

The Group's top managers, and as from this year, a small but representative sample of categories of external stakeholders, were requested to compile a materiality form, combined and used to construct the materiality matrix. The 15 topics previously selected were positioned along the two axes:
- the x-axis shows the significance for Piaggio;
- the y-axis shows the significance for external stakeholders.

Of the 15 topics identified, only biodiversity did not exceed the materiality threshold. Piaggio's production sites are not located in protected areas or areas with high levels of biodiversity. The sole exception is the Scorzè site, which although located in an industrial zone, conveys its waste water into the drainage basin of the Venetian Lagoon. As such, the production site is subject to restrictions imposed by specific laws.

The 2018 matrix was examined and approved by the Ethics Committee in the meeting of 11 January 2019.

MATERIALITY DIAGRAM



Contents of the Non-Financial Statement

Based on the results of materiality analysis, the format of the 2018 Non-Financial Statement was defined, focussing on non-financial material topics, as referred to in Legislative Decree no. 254 of 30 December 2016. Similarly, the level of materiality of the topics - in turn broken down into detailed subtopics - influenced the level of depth with which the individual topics and GRI indicators were investigated, as well as the choice of the most suitable reporting tool to represent them (Consolidated Financial Statements, Corporate Governance Report and Corporate Social Responsibilty Report).

The following table shows:

- the material topics for the company, represented by dimension,
- the impact on stakeholders,
- the relative section in the Non-Financial Statement or reference to the most appropriate reporting document and
- the reporting boundary.

DIMENSION	TOPIC	INTERNAL IMPACT	EXTERNAL IMPACT	RELATIVE SECTION IN THE NFS / OTHER DOCUMENT	REPORTING PERIMETER
ECONOMIC	- Transparency - Creating economic value	All Group companies - Human resources	Shareholders and Lenders - Suppliers	Consolidated Financial Statements and Corporate Social Responsibilty Report	All Group companies
FIGHTING AGAINST CORRUPTION AND COMPLIANCE	- Fighting against corruption	All Group companies - Human resources	Shareholders and Lenders - Suppliers	NFS: Fighting against corruption and compliance and the Corporate Social Responsibilty Report	All Group companies
PRODUCT	- Product innovation and sustainable mobility - Safety and reliability	Piaggio & C - Piaggio Vietnam - Piaggio Vehicles Private Limited – Piaggio Advance Design Center (PADC) – Piaggio Fast Forward - Foshan Piaggio Vehicles Technologies (FPVT)	Customers	NFS: The business model and the Corporate Social Responsibilty Report	Piaggio & C - Piaggio Vietnam - Piaggio Vehicles Private Limited – PADC – Piaggio Fast Forward – FPVT
	- Meeting customer requirements	All Group companies	Customers and dealers	Corporate Social Responsibilty Report	Piaggio & C - Piaggio Vietnam - Piaggio Vehicles Private Limited
ENVIRONMENTAL	- Energy efficiency - Waste handling - Conserving water resources	All Group companies	Local Communities - Suppliers	NFS: The environmental dimension and the Corporate Social Responsibilty Report	All Group companies
SOCIAL	- Respecting human rights	All Group companies - Human resources	Suppliers	NFS: Respecting human rights and the Corporate Social Responsibilty Report	All Group companies
	- Developing human capital - Health and safety	Human resources		NFS: The social dimension and the Corporate Social Responsibilty Report	All Group companies
	- Responsible management of the supply chain	Piaggio & C - Piaggio Vietnam - Piaggio Vehicles Private Limited – PADC –Piaggio Fast Forward - FPVT	Suppliers	NFS: The social dimension and the Corporate Social Responsibilty Report	Piaggio & C - Piaggio Vietnam – Piaggio Vehicles Private Limited - PADC – Piaggio Fast Forward – FPVT
	- Supporting local communities	All Group companies	Local Communities	NFS: The social dimension and the Corporate Social Responsibilty Report	Fondazione Piaggio - All Group companies

For details of the stakeholder map and stakeholder engagement process, see the section “The commitment of the Piaggio Group” in the 2018 Corporate Governance Report.

THE BUSINESS MODEL

The Piaggio Group Business Model

The Piaggio Group places its ongoing search for solutions for the mobility of people and things at the centre of its business model.
The Group's ultimate goal is the creation of long-term value through the effective and efficient use and management of available resources, constantly guided by the principles and values that make up the Code of Ethics.

Our resources

FINANCIAL
Shareholders, bondholders and banks ensure that Piaggio has the financial resources it needs, on condition that their expected return on invested capital is met.

HUMAN
Human resources, and the skills, abilities and dedication offered by individuals, represent a key factor in Piaggio's competitiveness and growth at a global level. Everything we do as individuals or as a team is shaped by our strategic vision, result-driven approach, constant commitment to customer satisfaction, desire for innovation and awareness of the future needs of the market, to generate value for each and every stakeholder. People are the key element that enables us to meet challenges in an increasingly dynamic and competitive international scenario. It is for these reasons that Piaggio places such central importance on people in the organisation, assuring them our respect and protection in all Group companies.

INTELLECTUAL
The Piaggio Group is aware of the great value of innovation and research and believes in the importance of sharing knowledge and ideas and in the stimulus that it can give to improving technologies, processes and products. For this reason, the Piaggio Group has always been engaged on many fronts, with a view to consolidating the synergies between its research and development centres (located in Italy, India, Vietnam, the United States and China), external research environments and the industrial context in which it operates.
Every year, the Group's intensive research and development activities lead to patents being filed in the countries where it works.

PRODUCTION
The Piaggio Group operates on a global scale, with production sites in:
- **Pontedera**, the main technical headquarters of the Group, which manufactures Piaggio, Vespa and Gilera brand two-wheeler vehicles, light transport vehicles for the European market and engines for scooters, motorcycles and Ape vehicles;
- **Noale (Venice)**, the technical centre for the development of motorcycles for the entire Group, and the headquarters of Aprilia Racing;
- **Scorzè (Venice)**, a factory for the production of two-wheeler vehicles for the brands Aprilia, Scarabeo and Derbi, and for Wi-bikes;
- **Mandello del Lario (Lecco)**, a factory which produces Moto Guzzi vehicles and engines;
- **Baramati (India**, in the state of Maharashtra), with plants dedicated to the manufacture of three- and four-wheeler commercial vehicles, Vespa and Aprilia brand scooters and engines;
- **Vinh Phuc (Vietnam)** where Vespa and Piaggio scooters are produced.

The Piaggio Group also operates via a joint venture company in China (Zongshen Piaggio Foshan Motorcycles, in **Foshan**, in the province of Guangdong), which is 45% owned by Piaggio (and therefore not consolidated in the Group's results).

How we build our strategic advantage

ORGANISATIONAL STRUCTURE
The Piaggio Group is structured into and operates within geographic segments (EMEA and the Americas, India and Asia Pacific), for the development, manufacture and distribution of two-wheeler and commercial vehicles.

Each geographic area is equipped with production facilities and a sales network specifically dedicated to customers in this region.
The Group boast an agile and flexible production capacity, enabling it to adapt quickly to the needs of the market.

A UNIQUE BRAND PORTFOLIO

The Piaggio Group sells 2-wheeler vehicles under the brands **Piaggio**, **Vespa**, **Aprilia**, **Moto Guzzi**, **Gilera**, **Derbi**, **Scarabeo** and commercial vehicles under the brands **Ape**, **Porter** and **Quargo** (**Ape Truck**). Some of the Piaggio Group brands are the most prestigious and historic in the world of motorcycle racing: from **Gilera** (established in 1909), to **Moto Guzzi** (established in 1921), **Derbi** (1922) and **Aprilia** (1945), which has made a name for itself as one of the most successful manufacturers taking part in the world speed and superbike championships. In the scooter sector, the legendary **Vespa** brand has been synonymous with two-wheel mobility since 1946, and with over 18 million units produced to date, it represents a commercial success story of incredible longevity, as well as being one of the most recognisable icons of Italian style and technology in the world.

DISTRIBUTION AND SERVICE NETWORK

Piaggio distributes its products in more than 100 countries. It has an extensive distribution and sales network of qualified and reliable partners.
Since the right location is essential in order to enable each brand to express its values, for a number of years Piaggio has been using a new distribution format called "Motoplex", joined by more than 300 sales points around the world. The Motoplex concept revolves around the idea of "brand island" displays, placing the customer in the real experiential context of the brand being represented and providing an appropriate offering in terms of the vehicle, accessories and communications.

PRODUCT RANGE

The main objective of the Piaggio Group is to meet the most progressive needs for mobility, through a deep understanding of people and their habits, reducing the environmental impact and fuel consumption of its vehicles, ensuring customers excellent levels of performance. In its effort to ensure the sustainability of its products, the Piaggio Group takes into account the entire life cycle, which comprises the design, procurement of raw materials, production proper, use of the product by customers and, finally, decommissioning, which consists in disassembly at the end of service life and in the disposal and/or recycling of the components and raw materials.
The Piaggio Group product range includes scooters, motorcycles and mopeds with engine displacements ranging from 50 to 1,400cc, as well as light commercial vehicles with three and four wheels.
In a society which is increasingly aware of the issue of sustainability, creating products with low environmental impact, in factories that are safe, non-polluting and do not waste resources, is becoming vital for survival.
Constant focus is placed on research into vehicles that are at the cutting edge in terms of:

- **ecology:** products that can cut the emissions of pollutant gases and CO_2 in urban and extra-urban areas; this is achieved by introducing electric engines and further developing traditional engine technologies (increasingly sophisticated internal combustion engines), as well as making more use of renewable, sustainable energy sources;
- **reliability and safety:** vehicles that allow a growing number of people to get about town easily, while contributing to ease traffic congestion and ensuring high levels of active, passive and preventive safety;
- **recyclability:** products that reduce the environmental impact at the end of their life cycle to a minimum;
- **cost-effectiveness:** vehicles with lower running and maintenance costs.

QUALITY CONTROL

Piaggio has a comprehensive quality management system to monitor end product quality levels in the various stages of the production process and prior to dispatch to the customer. The standard procedures introduced in all Piaggio Group plants enable the constant monitoring of the quality of all the vehicles produced, ensuring product standards that fully meet both regulatory and type approval specifications and the expectations of the end customer.

SUPPLY CHAIN

Some components are purchased externally in line with a global sourcing model that guarantees the quality and economy of the products supplied.
Piaggio ensures that its suppliers sign its Code of Ethics, in order to ensure compliance with its ethical values throughout the cycle of production and sales of its products. Sustainability for Piaggio does not begin and end at the gates of its factories.

ENVIRONMENTAL SUSTAINABILITY

Piaggio aims at applying a model of sustainable development that not only satisfies the expectations of stakeholders (investors, shareholders, staff, suppliers, community, public administration) by guaranteeing economic and social sustainability, but also roots its actions in environmental sustainability, meaning the ability to safeguard natural resources and the ability for the ecosystem to absorb direct and indirect impacts generated by production activities. Specifically, Piaggio seeks to minimise the environmental impact of its industrial activities by carefully defining the manufacturing technological cycle and by using the best technology and the most modern production methods. The pursuit of these environmental sustainability goals is blazing a trail of ongoing improvement of environmental performance.

Results

REMUNERATION TO LENDERS

During 2018, dividends for €/000 19,698 were distributed.
The Piaggio share ended 2018 at €1.8265, with a performance in line with main benchmark indices.

EMPLOYEES

In 2018, the Piaggio Group employed 6,698 people (annual average figures), providing them and their family members with a health scheme. In the same period, accident statistics stayed at the minimum physiological level, at all sites. Moreover, 88,391 hours of training were delivered.
During 2018, none of the Piaggio Group companies were affected by episodes concerning employee discrimination or the breach of employee rights.

R&D

In 2018, the Piaggio Group continued its policy of retaining technological leadership in the sector, allocating total resources of €50.8 million to research and development, of which €33.3 million capitalised under intangible assets as development costs.

			2018			2017
	CAPITALISED	EXPENSES	TOTAL	CAPITALISED	EXPENSES	TOTAL
IN MILLIONS OF EUROS						
Two-wheeler	25.5	14.8	40.3	20.6	14.7	**35.3**
Commercial Vehicles	7.8	2.7	10.5	4.9	3.8	**8.6**
Total	**33.3**	**17.5**	**50.8**	**25.5**	**18.4**	**43.9**
EMEA and Americas	26.8	14.8	41.6	19.4	14.8	**34.2**
India	4.7	1.6	6.3	3.6	2.5	**6.1**
Asia Pacific 2W	1.8	1.1	2.9	2.5	1.1	**3.6**
Total	**33.3**	**17.5**	**50.8**	**25.5**	**18.4**	**43.9**

Patents are registered in countries where Piaggio operates on a continual basis, thanks to intense research and development carried out by the Group at its research centres. As of 31 December 2018, the number of new patented solutions remained high, confirming the Group's strong focus on intellectual property.
Piaggio has been at the forefront of advanced ICE (Internal Combustion Engines) since 2009, with its MP3 Hybrid. The wealth of knowledge developed with the Hybrid Project has enabled it to develop the Liberty eMail, which went on sale in 2011.
This line of research has generated the electric powertrain which is fitted on the new Vespa Primavera Elettrica and the Vespa Primavera X (Range Extender), as well as the WiBike.
Plus the S&S system - a microhybrid engine for scooters - has also been developed.

RISK MANAGEMENT

The Piaggio Group started an Enterprise Risk Management (ERM) project to define and implement a structured, integrated system to identify, measure and manage company risks in line with applicable best practices. As part of the 2017 Risk Assessment campaign, involving company managers across the Group, 129 risk scenarios were identified, comprising 26 categories which were grouped into 4 level-one macro-categories (External, Operational, Financial, Strategic Risks). In this framework, issues concerning environmental and social aspects, human resources, human rights and the fight against corruption were all analysed, as explained below. At the end of 2018, a campaign was launched to update the risk assessment analysis, that will involve newly appointed company managers.

Environment

The analysis refers to the actual and potential effects of the Group's operations on the environment considering, for example, atmospheric emissions, waste management practices, the use and conservation of natural resources, etc.
Greenhouse gases (mainly CO_2) and Volatile Organic Compounds (VOCs), released by solvents used in painting, are some of the most hazardous substances for air pollution generated by automotive operators. Structural measures taken for the Group's production sites have reduced pollutant emissions for some sites and resulted in stable levels for other sites.
Although the structure of the Company's production sites has been designed to run on fossil fuels, Piaggio is engaged in optimising the management of existing sites to cut consumption.
Operations to clean up sites were necessary because of historical site contamination: the pollutants removed had not been used for several decades by the sites, proving the historical nature of the contamination. Other cases of ground contamination (spills or other significant pollution episodes) have never concerned Group operations.
Piaggio has ISO 14001 environmental certification and invests each year to reduce the environmental impact of its production sites.
Despite a considerable risk level, in line with other industry operators, control measures adopted significantly reduce environmental risks.

Employees

Risks concerning personnel include all aspects of an inadequate management of the Group's human capital, including career paths, remuneration and training, diversity (age, gender, sexual orientation, disability, religious beliefs, ethnic background, etc.) as well as risks relative to occupational health and safety and industrial relations.
Piaggio operates globally with employees in Europe, the Americas and Asia. It promotes diversity of gender, age, nationality, ethnic background, ideology and religious beliefs, as it endorses different ways of pursuing and achieving maximum performance within a single and broad-ranging Group organisational framework. The integration of disabled people into the workforce is also made possible in practice by the accessibility of company facilities and the existence of a relative company procedure.
Piaggio adopts a system of recruitment, development and salary packages for personnel which recognises and rewards merit and performance. Development tools are used to build on and continually improve skills, while empowering potential, recognising and rewarding outstanding performance. Reward policies are designed to reward individuals and recognise their contribution to the company, according to the criteria of competitiveness, fairness and meritocracy. The above mechanisms reduce potential risks related to these aspects to a residual level which is not significant.
The Piaggio Group acknowledges the role of trade union organisations and workers' representatives and is committed to establishing relations with them focussed on attention, dialogue and a common understanding; in fact, assessment and continual engagement are considered essential for identifying the best solutions for the company's specific needs. For these reasons and despite the high number of employees with trade union membership, strikes are infrequent.

As regards occupational health and safety, testing motorcycles with a medium and large engine capacity entails the highest risk levels. Generally, the risk of accidents/injuries to personnel is mitigated by adapting processes, adopting procedures and structures aligned with applicable occupational safety laws and international best standards, and promoting safe behaviour, through targeted training.

Social sphere

The social sphere includes aspects concerning Piaggio's relations with consumers, as well as the effects of the business on the community.
In the first case, product quality and reliability are essential and key to obtaining and guaranteeing customer satisfaction and safety. In the "Product – Operational Risk" category, risk scenarios relating to potential product defects have been mapped. To mitigate these risks, Piaggio has established a Quality Control system. It tests products during various stages of the production process and carefully sources its suppliers based on technical/professional standards. The Group is also committed to being awarded and maintaining certification of its quality management systems at a global level (ISO 9001 or ISO/TS 16949).

Human rights

As set out in the Code of Ethics, adopted in 2004, Piaggio specifically prohibits any form of discrimination or forced labour. This Code has been distributed to all subsidiaries and clearly states the principles and values the entire organisation takes inspiration from.
Based on the significant and specific nature of the Indian market, the following have been adopted: the Code of Business Conduct & Ethics and Whistle Blower Policy in 2016; the latter is designed to protect people reporting infringements of the Code, and therefore to guarantee the Code's validity; a Policy on the Prevention of Sexual Harassment of women at the workplace.
Based on prevention and control mechanisms established in the Code of Ethics and adopted by all Group subsidiaries, no risk scenarios relative to the violation of human rights were identified.

Fighting against corruption

The fight against both active and passive corruption comes under the risk categories "Internal/external offences" of the Group's risk model. In its Code of Ethics, Piaggio strictly prohibits any practice of corruption, request for and/or provision of preferential treatment, of any collusive behaviour, solicitation, whether direct/indirect and/or through third parties, of personal benefits of any kind for oneself and/or for others, of material benefits and/or any other advantage of any extent in favour of third parties.
A number of processes, procedures, roles and responsibilities have been defined to achieve the above objective, as regards business negotiations/relations with the public administration sector and with private entities.
The controls briefly described above decrease residual risk relative to episodes of active/passive corruption to a negligible level.

FIGHTING AGAINST CORRUPTION AND COMPLIANCE

As stated in the Code of Ethics, in pursuing its mission the Group ensures, through appropriate tools, including organisational tools, compliance with the absolute prohibition of any practice of corruption, request for and/or provision of preferential treatment, of any collusive behaviour, solicitation, whether direct/indirect and/or through third parties, of personal benefits of any kind for oneself and/or for others, of material benefits and/or any other advantage of any extent in favour of third parties, whether they be private or public entities or government representatives, both Italian and foreign.

When participating in public tenders or competitions called by the Public Administration as well as in any negotiations or contracts entered into with both the Public Administration and private entities, all those involved must behave according to good faith and in accordance with the law, correct commercial practice and current regulations, as well as with corresponding company procedures, avoiding any situation from which violation of laws and/or principles of fairness and transparency in the conduct of negotiations may arise. Such negotiations must be conducted only by those previously and expressly authorised to do so, respecting roles and in accordance with corporate procedures. Adequate mechanisms for traceability of information flows towards the contracting party must also be put in place. Any request for advantages, any intimidating and/or constrictive or oppressive behaviour on the part of Public Administration officials or third contracting parties or which come to the knowledge of operators must be immediately reported.
Functional managers who liaise with the Public Administration must:
- provide their partners with guidelines regarding which operative conduct to follow in formal and informal contacts with various public subjects, according to the characteristics of each individual area of activity, sharing their knowledge of regulations and their awareness of situations liable to crime;
- provide for adequate tracing mechanisms as regards official information channels with the Public Administration;
- maintain and request on the part of those having relations with Public Administration conduct characterised by fairness, transparency, traceability and in good faith, respecting the roles and responsibilities attributed; strictly observe and therefore enforce, also with specific reference to relations with the Public Administration, company procedures aimed at abstractly identifying and tracing the functions and positions responsible and appointed for relations with the Public Administration, in compliance therefore with corporate roles;
- make clear, truthful, complete and traceable statements to the public authorities and exhibit complete, truthful and unaltered documents and data;
- maintain correct and clear conduct such as to avoid inducing the counterparty into even potential error. All consultants, suppliers, customers, and whoever is related to the Group, are committed to complying with laws and regulations in force in all countries where the Group operates;
- No relation will be initiated or continued with those who do not intend to comply with such principles. When appointing these subjects to operate as representatives and/or in the interest of the Group towards the Public Administration, the appointment must be in writing, with a specific binding clause requiring compliance with the principles of ethics and conduct adopted by the Group.

Identical conduct guidelines to those indicated for relations with the Public Administration must also be adopted with regard to relations with any private third party, such as suppliers, customers, competitors, partners and/or any contractual counterparty. In this regard, the section on corporate offences in the Model 231 was updated, with the following introduction, implementing Legislative Decree no. 38 of 15 March 2017 (implementing Council Framework Decision 2003/568/JHA of 22 July 2003 on combating corruption in the private sector), as well as measures introduced by article 2635 of the Italian Civil Code on the offence of "corruption between private individuals" and the introduction of the new offence "instigating corruption between private individuals", whereby corruption is a punishable offence even if the offer is not accepted (article 2635 bis of the Italian Civil Code).

When contributions, grants or financial support are requested from the State, the public corporations or the European Union, all employees involved in such procedures must:
- be correct and truthful when using and presenting documents and declarations that are complete and pertinent to the activities for which such benefits can be legitimately requested and obtained;
- once the requested outpayment has been obtained, the sum should be employed for the goals to which it was originally requested and obtained. the people in charge of administrative/accounting functions must verify that each operation and transaction is: legitimate, consistent, congruous, authorised, verifiable; correctly and adequately registered, so that the process of decision, authorisation and implementation can be verified; supported by correct,

authentic and appropriate documentation, so that careful inspections can be carried out at any time regarding the characteristics and the motivations of the operation, and the individuation of those who have authorised, carried out, registered and verified the operation itself.

No incidents of corruption occurred in the reporting year.

Organisational model pursuant to Legislative Decree no. 231/2001

The internal control and risk management system of Piaggio & C. includes the Organisational, Management and Control Model for the prevention of corporate offences pursuant to Legislative Decree no. 231/2001 ("Model pursuant to Legislative Decree no. 231/2001"), which Piaggio & C. has adopted since 2004, with major revisions and updates approved by the Board of Directors of the Company on 26 February 2018.
The Model starts with the Code of Ethics, followed by general principles of internal control and guidelines for conduct, and is divided into two parts.
The first part is general, and includes an overview of the legal framework, followed by a description of the Model's function and operation within the Company; sections are also included on the disciplinary system, as well as a description of the role, composition, functioning and duties of the Supervisory Body.
The last revision, in compliance with Law 179/2017, introduced an entirely new section with regulations on whistle-blowing designed to protect workers that report unlawful activities and irregularities that come to their knowledge during their work.
To guarantee the confidentiality of the identity of the person reporting information, the Company, in compliance with applicable legislation, believes that the management of reported information must involve the Supervisory Body appointed pursuant to Legislative Decree no. 231/2001. The system to protect persons reporting information, introduced by Law 179/2017, covered by article 6 of Legislative Decree no. 231/2001, indirectly (although not specifically) gives the Supervisory Body appointed pursuant to Legislative Decree no. 231/2001 the duty of receiving and managing reported information on possible unlawful activities and breaches of the Model or Code. The Company has therefore set up two communication channels: via fax (0587 219027) and via an email address of the dedicated Supervisory Body (organismodivigilanza@piaggio.com)
The second, "special" section formalises specific decision-making protocols by "sensitive process" in relation to the individual categories of offences the section refers to.

The Model pursuant to Italian Legislative Decree no. 231/2001 – widely distributed by e-mail to all Piaggio Group senior management, middle management and employees in Italy, as well as published on the company intranet – is constantly monitored and periodically updated.
Piaggio & C. has also established a "Fraud Policy" with information channels for receiving, analysing and processing reported fraud that may involve employees, directors and partners of Piaggio and Group Companies. The policy is another instrument that the Piaggio Group has adopted to prevent infringement of the principles of lawfulness, transparency, fairness and loyalty which the Model pursuant to Legislative Decree no. 231/2001 takes inspiration from.
The Model is available on the institutional site (www.piaggiogroup.com) in the section Governance/Governance System.

Compliance with laws and regulations

During 2018, none of the Piaggio Group companies were affected by episodes concerning employee discrimination or the breach of employee rights. Moreover, no infringement procedures have been filed against the Piaggio Group for the breach of anti-competitive or anti-trust laws.
As of 31 December 2018, there were no sanctions in place concerning non-compliance with laws and regulations concerning environmental matters, marketing, advertising, promotions, sponsorships and the supply and use of products.
Finally, no cases regarding the breach of consumer privacy or loss of consumer data were reported in 2018.

THE ENVIRONMENTAL DIMENSION

Piaggio has organised its processes and activities through a management system which focuses on Quality, the Environment and the Health and Safety of Workers, with a view to providing a model of sustainable development that not only guarantees lasting success, but which also ensures that the expectations of stakeholders are met (including investors, shareholders, partners, suppliers, the social community and public administration).
Environmental sustainability - understood as the ability to protect and safeguard natural resources, combined with the capacity of the ecosystem to absorb the direct and indirect impacts generated by manufacturing activities - is among the key focal points of Group Policy, as expressed by the company's senior management team. This concept provides the basis for the environmental certification (ISO 14001) process that has already been launched (or is being continued) at the various production sites, and is an essential point of reference for every Group company, wherever they may operate.
Specifically, Piaggio seeks to minimise the environmental impact of its industrial activities by carefully defining the product design, the manufacturing technological cycle and by using the best technology and the most modern production methods. Pursuing these objectives generates continual improvement in environmental performance, not only in production but also throughout the product life cycle.
Quantitative data on the mitigation of the environmental impact resulting from the Group's operations are reported on in the sections below.
With these objectives in mind, initiatives and goals for the future focus on the following areas:

- maintaining environmental certification awarded to all production sites;
- reducing energy consumption;
- reducing emissions of CO_2 and other pollutants;
- conserving water resources;
- waste handling and recovering;
- absence of soil contamination;
- environmental spending and investments.

Environmental Management System

The Piaggio Group has defined a specific organisational structure to achieve the environmental sustainability objectives of its production sites.
The responsibilities and roles of the Environmental Management System (EMS) with Organisational Units / Functions involved are reported in the Quality, Environmental and Occupational Health and Safety Management Manuals, for sites in Italy.

ENVIRONMENTAL ORGANISATIONAL STRUCTURE OF ITALIAN SITES OF THE PIAGGIO GROUP

	ENVIRONMENTAL MANAGEMENT SYSTEM
Management Representative	Quality System Manager
Management System Manager	General Systems Manager
Coordination and control	Environmental Manager
Audits	Process Auditor (Internal Auditor)

The head of the Environmental Management System reports to the representative of the Processes Quality & Cost Engineering Department on the performance of the Management System and about any need for improvement. The Environmental Management System manager, a position held by the General Plants manager, has power of attorney to perform his duties and responsibilities, while Environmental Managers are appointed by the Environmental Management System manager and appointed after obtaining approval of their affiliated Manager.
The subsidiaries in Vietnam and India (PVPL) have EHS (Environment Health and Safety) teams which work full-time on environmental, health and safety issues, with clearly defined roles and responsibilities. Piaggio Vietnam's EHS team is led by the Technology and Maintenance Manager who reports to the Director of Operations while a full-time employee is responsible for the management of environmental issues. The environmental team at PVPL, consisting of senior management, engineers and operators, is part of the Maintenance Department and reports to the Director of Operations.

Environmental certification

For several years now, the Piaggio Group has implemented an environmental management system at its sites in compliance with UNI EN ISO 14001.

Reduction of energy consumption

The aim of the Group is to optimise plant management and minimise energy waste. Energy is procured from leading energy companies whose production is mainly from renewable sources. In particular, the energy supplier in Italy has declared a production mix of which around half from renewable sources, while for the company in Holland, energy procured is entirely from renewable sources.
Although the structure of the company's production sites has been designed to run on fossil fuels, Piaggio is engaged in optimising the management of existing sites to cut consumption. Specifically, when reconfiguring or restructuring plants, the Technology functions carry out evaluations and analysis with a view to introducing machinery and methods that minimise environmental impact.
Having an extensive monitoring network of main energy carriers is important for achieving noticeable results, especially in more complex activities. For example, since 2016, the Pontedera site has been adopting measures to reduce energy waste with a smart metering system that can use, observe, compare on a nearly real time basis (with a delay of 3 hours) and also analyse the consumption recorded by over 90 meters at the site, with clearly-visible results. Changes in consumption at other Italian sites, which are negligible in quantitative terms compared to the Pontedera site, are due to variations in production volumes and heating system management based on recorded outdoor temperatures.

At Asian sites, consumption has generally gone up, due to the considerable increase in production. The focus on energy efficiency is also kept high at these sites. A study of energy consumption at the Baramati site in 2018 and 2017 shows a 4.94% reduction in energy needed per part produced (engines), demonstrating the Group's commitment to this aspect.

PIAGGIO GROUP ENERGY CONSUMPTION

		PONTEDERA	NOALE AND SCORZÈ	MANDELLO DEL LARIO	BARAMATI	VINH PHUC	TOTAL SITES	COMMERCIAL COMPANIES[16]	GROUP TOTAL
Electricity (Thousand KWh)	2018	33,239	3,865	638	28,866	14,451	81,059	756	81,815
	2017	35,723	3,966	699	24,789	13,558	78,735	654	79,389
	Change 2018-2017	-7.0%	-2.5%	-8.7%	16.4%	6.6%	3.0%	15.6%	3.1%
Methane/Natural Gas (Sm^3)	2018	5,185,857	382,753	146,071			5,714,681		5,714,681
	2017	5,583,383	321,669	165,087			6,070,139		6,070,139
	Change 2018-2017	-7.1%	19.0%	-11.5%			-5.9%		-5.9%
LPG[16] (Ton.)	2018				1,898	20	1,918		1,918
	2017				534	18	552		552
	Change 2018-2017				255.4%	10.0%	247.4%		247.4%
Diesel fuel[16] (litres)	2018	2,174			171,617	646,584	820,375		820,375
	2017	2,516			1,629,341	610,442	2,242,299		2,242,299
	Change 2018-2017	-13.6%			-89.5%	5.9%	-63.4%		-63.4%

16 Some values are based on estimates.

PIAGGIO GROUP ENERGY CONSUMPTION

		ELECTRICITY	METHANE / NATURAL GAS	LPG	DIESEL FUEL	TOTAL
Use in GJ[17]	2018	294,534	222,930	88,411	29,871	635,745
	2017	285,800	236,796	25,447	81,646	629,689

The Group also operates through commercial companies (distributors and selling agencies) and research centres located on various reference markets. The energy use of these sites cannot always be recorded, as the sites are sometimes located on property which is not owned, where communal services are shared with other occupants.

USE OF FUELS FOR COMPANY CARS AND TESTING VEHICLES IN ITALY[18]

		PONTEDERA	NOALE AND SCORZÈ	MANDELLO DEL LARIO	TOTAL SITES
Petrol (litres)	2018	162,962	19,493	12,878	195,332
	2017	151,504	18,970	15,602	186,076
	Change 2018-2017	7.6%	2.8%	-17.5%	5.0%
Methane/Natural Gas (Sm^3)	2018	996			996
	2017	151			151
	Change 2018-2017	559.4%			559.4%
LPG (Ton.)	2018	96			96
	2017	938			938
	Change 2018-2017	-89.8%			-89.8%
Diesel fuel (Litres)	2018	34,715	49,778	4,897	89,390
	2017	34,152	27,359	3,419	64,929
	Change 2018-2017	1.7%			37.7%

Reducing emissions of CO_2 and other pollutants

Greenhouse gases (mainly CO_2) and Volatile Organic Compounds (VOCs), released by solvents used in painting, are some of the most hazardous substances for air pollution generated by automotive operators.
Structural works (replacement of boilers and restructuring of distribution networks), carried out over time and already described in previous financial statements, show that changes made have been appropriate. In 2018 emission levels were substantially in line with those already detected in previous years.

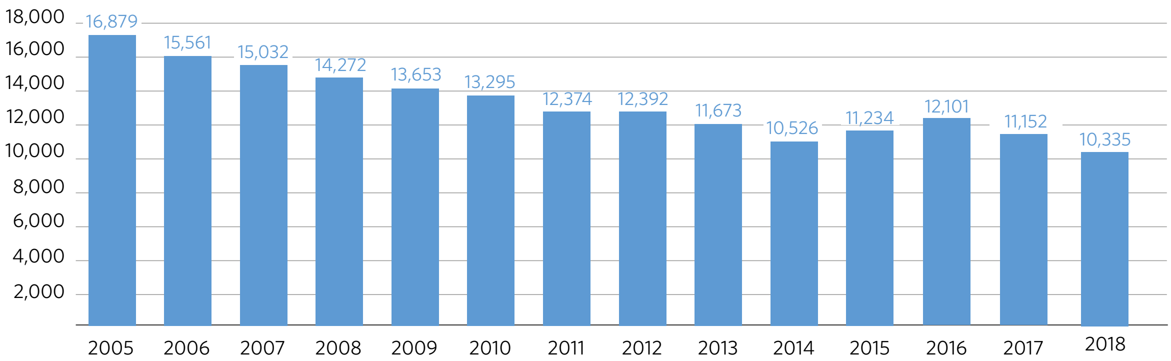
DIRECT AND INDIRECT CO_2 EMISSIONS OF PIAGGIO GROUP PRODUCTION SITES

TON		PONTEDERA	NOALE AND SCORZÈ	MANDELLO DEL LARIO	BARAMATI	VINH PHUC	TOTAL
2018	direct [19]	10,335	752	287	2,522	1,890	15,786
	indirect	10,989	1,278	211	23,670	9,555	45,703
2017	direct [19]	11,152	632	324	4,358	1,815	18,281
	indirect	11,810	1,311	231	20,327	8,963	42,642
Change 2018-2017	direct	-7.3%	19.0%	-11.4%	-42.1%	4.1%	-13.6%
	indirect	-7.0%	-2.5%	-8.7%	16.4%	6.6%	7.2%

17 The figures are calculated using conversion standards defined by the GRI guidelines (1 gallon of diesel = 0.138 GJ; 1,000 m3 of natural gas = 39.01 GJ; 1 Kwh = 0.0036 GJ). For LPG, a standard conversion factor of one kilogram of LPG = 46.1 MJ was used.
18 Some values are based on estimates.
19 CO_2 emissions deriving from the combustion of methane, natural gas, diesel fuel and LPG used at plants.

For sites located in Italy, the conversion criteria of the "Emission Trading" Directive (Directive 2003/87/EC) were used to determine gases with a greenhouse effect resulting from the use of diesel, fuel oil and methane.
With reference to CO_2 emissions, the industrial plant at Pontedera comes under the sensitivity area classification of the "Emission Trading" directive (Directive 2003/87/EC) which implements the Kyoto Protocol. The site is classed as a "Group A" site, relative to companies releasing the lowest amount of CO_2 indicated in the Directive.
CO_2 emissions are almost entirely due to the combustion of methane, marginally to the combustion of diesel fuel in back-up power generators and extremely small amounts from the combustion of VOCs in the painting post-combuster.
The monitoring and reporting of CO_2 emissions from the Pontedera plant are governed by a specific Group procedure, which is periodically audited in-company and annually audited by a certification body.
A chart summarising CO_2 emissions from Piaggio's plant at Pontedera for the year 2005 onwards is given below. The amounts shown have been certified by the assessment body accredited by the National Competent Authority (ANC), except for the 2018 figure, the certification of which is planned for March 2019.

DIRECT CO_2 EMISSIONS OF THE PONTEDERA SITE (CO_2 Equivalent Tons)



OTHER SIGNIFICANT EMISSIONS AT THE PRODUCTION SITES OF THE PIAGGIO GROUP[20]

		PONTEDERA	NOALE AND SCORZÈ	MANDELLO DEL LARIO	BARAMATI	VINH PHUC	TOTAL
COV (Ton.)	2018	30.8			601.0	3.3	635.1
	2017	46.1			433.0	4.4	483.5
	Change 2018-2017	-33.2%			38.8%	-25.0%	31.4%

The quantity of VOCs emitted by the Pontedera site also decreased in 2018, improving on the 2017 figure, thanks to new scooter painting plant becoming fully operational. The increase in VOC emissions from the Baramati site is due to the considerable increase in the number of scooters manufactured, while the decrease recorded for the Vinh Phuc site, although considerable in percentage terms, is not significant in quantitative terms.

20 Reported data are also based on processing using estimates.

Conserving water resources

Piaggio has always recognised the immense value of the natural resources it uses and has developed production processes designed to reduce water consumption. At the Pontedera site, water supply wells have inverters that can regulate system flow rates based on the amount of water required by the hydraulic loop.

WATER SUPPLIES OF THE PIAGGIO GROUP

M^3		PONTEDERA	NOALE AND SCORZÈ	MANDELLO DEL LARIO	BARAMATI	VINH PHUC	TOTAL SITES	COMMERCIAL COMPANIES	GROUP TOTAL
2018	Water from wells	222,973	9,288	12,775			**245,036**		**245,036**
	Water from the mains	60,357	11,866	526	321,474	129,334	**523,557**	1,624	**525,181**
	Total	283,330	21,154	13,301	321,474	129,334	**768,593**	1,624	**770,217**
2017	Water from wells	252,809	17,628	7,703			**278,140**		**278,140**
	Water from the mains	56,641	11,294	556	277,070	117,465	**463,026**	1,111	**464,137**
	Total	309,450	28,922	8,259	277,070	117,465	**741,166**	1,111	**742,277**
Change 2018-2017	Total	-8.4%	-26.9%	61.0%	16.0%	10.1%	**3.7%**	46.2%	**3.8%**

At the Mandello site, where water from wells is used only for cooling systems, consumption went up considerably due to an increased use of these cooling systems.
Water consumption has increased slightly overall as a result of the increase in production volumes. Piaggio will continue to engage in activities and targeted checks in order to achieve further reductions, in the belief that minimising the use of this resource is an essential obligation.
As regards waste water, environmental respect is ensured with processes to treat and purify waste water.
Below we report the destination of waste water produced, estimated to be equivalent to the amount of water supply used, for each production site:

- **Pontedera:** all industrial and most non-industrial waste water is conveyed to a chemical/physical purification plant outside the site. After biological treatment, the waste is discharged into an open channel. A small part of the waste-water coming from the toilets located in two areas of the factory, is directly discharged into the public sewer system;
- **Noale:** all buildings are connected to the public sewer system. The waste water is of a non-industrial origin only (from toilets and the site canteen);
- **Scorzè:** the plant is not served by the public sewer system, so waste water is biologically purified at the site and then conveyed to the local Rio Desolino canal;
- **Mandello del Lario:** the plant discharges a part of waste water directly into the public sewer system (non-industrial waste water, canteen waste water, etc.), while waters used in the cooling plants are discharged into the Torrente Valletta stream;
- **Baramati:** waste water is treated and used for irrigation purposes;
- **Vinh Phuc:** the site has a chemical/physical purification plant for waste from painting pre-treatment operations before it is conveyed to the public sewer systems, where all other site waste (non-industrial waste) is sent. The final destination is in the public sewer system;
- **Commercial companies:** water use, which is only for toilet facilities and comes from the mains, coincides with waste water. The water use of these sites cannot always be recorded, as the sites are sometimes located on property which is not owned, where communal services are shared with other occupants.

Only the Baramati and Vinh Phuc sites re-use some of the water collected. Approximately 173,677 m^3 of water were recycled and re-used by the Indian site in 2018, equal to 54.0% of the total amount drawn by the site. At the Vietnamese factory, waste water recovery amounted to 13,143 m^3/y, equal to approximately 10.2%.

Waste handling and recovering

Handling and recovering waste is a fundamental part of the Group's environmental policy.
In this context, Italian sites increased their percentages of recovered waste in 2018, with up to and over 95% of waste produced recovered.
Asian sites considerably stepped up their production, which led to an increase in the amount of waste produced. Lastly, it should be noted that the separation of hazardous from non-hazardous waste and the possibility of recovering waste is affected by local regulations.

WASTE PRODUCED AT PIAGGIO GROUP PRODUCTION SITES

TON		PONTEDERA	NOALE AND SCORZÈ	MANDELLO DEL LARIO	BARAMATI	VINH PHUC	TOTAL
2018	Total waste	6,488	882	172	2,366	1,430	11,338
	Hazardous	11.1%	1.6%	2.7%	11.9%	75.6%	18.5%
	For disposal	5.5%	5.3%	2.7%	8.0%	66.4%	13.6%
	For recycling	94.5%	94.7%	97.3%	92.0%	33.6%	86.4%
2017	Total waste	5,928	975	196	1,639	1,017	9,754
	Hazardous	12.2%	1.6%	2.6%	18.1%	70.9%	18.0%
	For disposal	5.1%	1.9%	1.9%	17.1%	79.3%	14.4%
	For recycling	94.9%	98.1%	98.1%	82.9%	20.7%	85.6%
Change 2018-2017	Total	9.4%	-9.5%	-12.2%	44.4%	40.6%	16.2%

With the overall amount of waste produced going up considerably, the percentage of hazardous waste and its allocation in the last three years was basically stable.
Based on an analysis per type, most of the waste produced was metal waste (iron, aluminium, turning material, etc.) and packaging material (cardboard, wood, etc.). For example at the Pontedera site, approximately 4,000 tons of packaging and 1,200 tons of metal are produced, with these two categories comprising nearly 80% of waste generated.

Avoiding soil contamination

In 2018, as in previous years, no spills or polluting events of significance occurred at any of Piaggio's sites.
At the Mandello and Pontedera, decontamination initiatives are under way due to historic contaminations of the sites. These situations emerged during demolition work in Mandello and during environmental monitoring campaigns in Pontedera. In both cases, the pollutants found have not been used in the production sites for several decades, providing the historical nature of their origin. In accordance with legal obligations, the two situations have been reported to the relevant authorities and managed according to their instructions.

Environmental spending and investments

The Group's commitment to environmental sustainability is further demonstrated by the €1.2 million invested in the environment by Italian production sites in 2018.

ENVIRONMENTAL SPENDING AND INVESTMENTS IN ITALY

EURO	2018	2017
Waste disposal, waste treatment and environmental restoration costs	465,282	523,338
Costs for prevention and environmental management	738,422	828,334
Total	**1,203,704**	**1,351,672**

Logistics

The Group has consolidated its logistics model aimed at benefiting from the synergies among various distribution centres in Europe and identifying opportunities for optimisation, paying particular attention to service quality aspects. To optimise distribution the model calls for targeted management of departures and routes to travel.
The procedure also disciplines:
- the vehicles and equipment used by logistics operators certified by Piaggio, in accordance with the relevant quality standards;
- the replacement of vehicles for internal shuttling with others equipped with systems to cut CO_2 emissions;
- the packaging collection service to manage the pick-up of packaging from dealers and its disposal according to local regulations in force;
- the disposal and sorting of waste material (e.g., due to decontainerisation) and packaging substitution;
- printing only documents which are necessary.

To reduce transfer needs to a minimum the model requires that produced vehicles are stored in the distribution centre adjacent to the production site and that importing of overseas products is centralised.

Thanks to centralised management of all logistics centres (Pontedera, Scorzè, Mandello):
- the number of trips needed to transfer stock between centres has been reduced;
- the use of electronic archives for storing shipment documents has been consolidated and paper copies have been reduced;
- printing of shipping documents to be sent to end customers has been minimised, and electronic documents are used whenever possible.

As part of vehicle distribution activities (for the contract valid for 2017-2019), the strategy to improve operating activities already underway continued. As a result, distribution activities for two-wheeler and commercial vehicles were basically stable in 2018 compared to 2017.
As part of activities to streamline distribution warehouses, a new distribution warehouse for Moto Guzzi vehicles (manufactured at the Mandello site) and Aprilia vehicles was set up, directly at the Scorzè site, making it possible to eliminate all transit necessary to store vehicles manufactured at the Aprilia site. Similarly, a project is being started at the Pontedera site, enabling vehicles to be packed only during the dispatch stage. This will make it possible to combine the warehouses for packed and unpacked vehicles in 2019, eliminating all transfers of packed vehicles to the external warehouse, which will no longer be used.
Activities have started to have paperless transport documents as far as possible so that hard copy documents can be nearly entirely phased out.
The production centres in India and Vietnam also set up procedures aimed at minimising the number of trips for shipping produced vehicles and consumption of packing materials.

THE SOCIAL DIMENSION

Respecting human rights

The Piaggio Group supports and undertakes to support the UN Guiding Principles on Business and Human Rights and the fundamental labour standards established by the International Labor Organization. The Group acknowledges that it is responsible for taking a firm approach to human rights (including modern slavery and issues related to human trafficking), and is dedicated to supplementing and continuously improve the policies and controls it has in place to protect itself from any form of slavery, servitude, human trafficking and forced labour that may take place within the company or its supply chain.
Group companies must comply with local laws and regulations and must conduct their activities in line with the Code of Ethics and its core values of honesty, integrity and respect for people. The Code of Ethics underpins Piaggio's commitment to behave in a responsible and respectful manner, and helps staff and contractors to make informed, ethical and legal decisions. Suppliers all over the world who wish to do business with Piaggio must sign the Group's general supply conditions, which include the Code of Ethics.
In 2017, the Group supplemented the Code of Ethics with specific, direct and unequivocal references to the issue of human rights (including modern slavery and issues related to human trafficking), and is committed to ensuring that its employees and partners behave in an ethical manner and with integrity and transparency in all business relationships. The updated Code of Ethics stipulates that Piaggio must respect fundamental human rights in its activities and in its supply chain.

In order to uphold the highest standards of ethical, moral and legal conduct, Piaggio encourages its employees to report suspected cases of misconduct without fear of unjust punishment or treatment.
The whistle-blowing policy, initially developed for the Group's Indian company, aims to provide a safe channel for employees and other interested parties to raise doubts about violations of legal or regulatory requirements. For this purpose, in compliance with Law 179/2017, an entirely new section with regulations on whistle-blowing designed to protect workers that report unlawful activities and irregularities that come to their knowledge during their work was added to the last revision of the Organisational, Management and Control Model pursuant to Legislative Decree no. 231/2001 .

Developing human resources

Human resources, with their skills, capacities and dedication, are a key factor in Piaggio's competitiveness and growth.
Everything we do as individuals or as a team is shaped by our strategic vision, our results-driven approach, our constant commitment to customer satisfaction, our desire for innovation and our awareness of future market scenarios, to generate value for each and every stakeholder. People are the key element that enables us to meet challenges in an increasingly dynamic and competitive international scenario.
It is for these reasons that Piaggio places such central importance on people in the organisation, assuring them our respect and protection in all Group companies.

Staff

Over the years, the Group has always focussed on aligning its organisation with international best practices. During 2018, it continued reorganisation activities to support its goals of achieving business growth, developing new products and improving efficiency and productivity.
As of 31 December 2018, Group employees numbered 6,515, down by 105 (-1.6%) compared to 31 December 2017.

COMPANY EMPLOYEES BY GEOGRAPHIC SEGMENT AS OF 31 DECEMBER

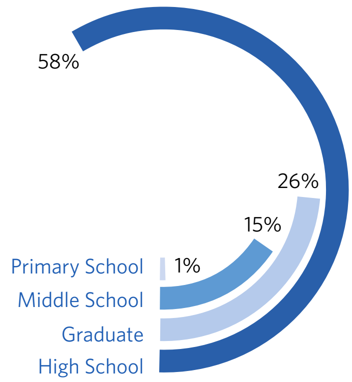
EMPLOYEE/STAFF NUMBERS	2018	2017
EMEA and Americas	3,586	3,682
of which Italy	*3,324*	*3,444*
India	2,026	2,090
Asia Pacific 2W	903	848
Total	**6,515**	**6,620**

AVERAGE NUMBER OF COMPANY EMPLOYEES BY PROFESSIONAL CATEGORY

EMPLOYEE/STAFF NUMBERS	2018	2017
Senior management	98	96
Middle management	631	593
White collars	1,708	1,728
Blue collars	4,261	4,251
Total	**6,698**	**6,668**

COMPANY EMPLOYEES BY EDUCATIONAL QUALIFICATIONS AS OF 31 DECEMBER 2018

EMPLOYEE/STAFF NUMBERS	GRADUATE	HIGH SCHOOL	MIDDLE SCHOOL	PRIMARY SCHOOL	TOTAL
EMEA and Americas	763	1,773	992	58	3,586
of which Italy	*597*	*1,697*	*977*	*53*	*3,324*
India	579	1,447	0	0	2,026
Asia Pacific 2W	329	571	3	0	903
Total	**1,671**	**3,791**	**995**	**58**	**6,515**



An entry turnover rate of 4.7% and leaving turnover rate of 7.3% were recorded in Italy in 2018 (excluding staff on a fixed-term contract).

GROUP EMPLOYEE TURNOVER AS OF 31 DECEMBER 2018

STAFF AS OF 31 DECEMBER 2018		MEN	WOMEN	TOTAL	< 31	31 - 40	41 - 50	> 50	TOTAL	% TURNOVER
					INCOMING					
Italy, EMEA & Americas	3,571	74	26	100	42	34	18	6	100	2.8%
Senior Management/ Middle Management/ White Collars	1,443	74	25	99	42	33	18	6	99	6.9%
Blue collars	2,128		1	1		1			1	0.0%
India	1,308	129	8	137	63	60	14	0	137	10.5%
Senior Management/ Middle Management/ White Collars	692	108	8	116	46	56	14		116	16.8%
Blue collars	616	21		21	17	4			21	3.4%
Asia Pacific	534	13	4	17	6	8	3	0	17	3.2%
Senior Management/ Middle Management/ White Collars	229	12	4	16	6	7	3		16	7.0%
Blue collars	305	1		1		1			1	0.3%
Total	**5,413**	**216**	**38**	**254**	**111**	**102**	**35**	**6**	**254**	**4.7%**
Senior Management/ Middle Management/ White Collars	2,364	194	37	231	94	96	35	6	231	9.8%
Blue collars	3,049	22	1	23	17	6	0	0	23	0.8%
					LEAVERS					
Italy, EMEA & Americas	3,571	157	34	191	11	17	25	138	191	5.3%
Senior Management/ Middle Management/ White Collars	1,443	72	14	86	10	17	18	41	86	6.0%
Blue collars	2,128	85	20	105	1		7	97	105	4.9%
India	1,308	134	5	139	38	69	23	9	139	10.6%
Senior Management/ Middle Management/ White Collars	692	109	4	113	27	59	20	7	113	16.3%
Blue collars	616	25	1	26	11	10	3	2	26	4.2%
Asia Pacific	534	45	21	66	28	36	2	0	66	12.4%
Senior Management/ Middle Management/ White Collars	229	14	17	31	9	20	2		31	13.5%
Blue collars	305	31	4	35	19	16			35	11.5%
Total	**5,413**	**336**	**60**	**396**	**77**	**122**	**50**	**147**	**396**	**7.3%**
Senior Management/ Middle Management/ White Collars	2,364	195	35	230	46	96	40	48	230	9.7%
Blue collars	3,049	141	25	166	31	26	10	99	166	5.4%

Personnel management policies

Piaggio adopts a system of recruitment, development and salary packages for personnel which recognises and rewards merit and performance. Any type of discrimination is specifically forbidden by the Code of Ethics.
The primary focus on human resources and the development of core competencies for business development are the cornerstone of relationships with people and are reflected in the following corporate policies:

COMPETITIVE ORGANISATION

The Group pursues an innovative organisation as a way of creating a competitive edge and supporting a multicultural, multinational, lean dimension focussed on the customer and on generating value.
In its relations with staff and regardless of the work they carry out, Piaggio respects the principles set forth by the Group's Code of Ethics in all circumstances, as well as the laws in force in the geographic areas where it operates.
Piaggio does not resort to child labour according to the age limits in force in the various countries or to forced labour and adheres to main international laws, such as the UN Convention on the Rights of the Child (UNCRC) and the 1998 Human Rights Act.

RECRUITMENT AND INTERNAL MOBILITY

During 2018, resourcing activities mainly concerned top-level professionals and specialists, with considerable use of digital tools and social media.
The use of digital tools shared at a global level supports the dissemination of common methodologies and approaches.

CAREER DEVELOPMENT

Development and career paths at Piaggio are mainly based on the assessment of managerial and technical skills, behaviour, performance and potential, with the aim of creating a pool of highly-motivated individuals to fill key positions.
The development of the core skills necessary to remain in step with evolving markets and business is a priority. This is why the Group's human resources development policies focus on building, maintaining and developing factors that are instrumental for competing in international contexts which are continually evolving.

The Group's managerial and professional competencies model

Piaggio has identified a managerial skills model, which constitutes the set of behaviours to be put into practice each day, in order to ensure the success of the manager in question and the Group as a whole at global level.
At the same time, Piaggio has developed a reference model regarding the various professional skills required, which represent the shared assets of professionalism and expertise that constitute the true foundation of the company, and serve as the only real guarantee of continuity and quality of results.
In 2018, gap analysis was conducted, in order to establish training plans to improve skills compared to the previous year.

THE GROUP'S MANAGERIAL COMPETENCIES MODEL

Development paths

The goal of development tools is to build and improve the managerial and professional skills required by the respective models, while bringing potential to fruition and assessing and rewarding excellent performance and safeguarding specific technical know-how. Specifically, the tools used by Piaggio include:

– development plans, which identify the actions to be taken for employee development;

– job rotation and participation in strategic or international projects;
– management and professional training (see "Training" section);
– the talent management programme for younger employees (see the "talent management" section).

During 2018, development actions to reinforce the Group's international presence and promote the development of individuals who demonstrate potential were consolidated. In fact, a balanced mix of nationalities from countries where the Group operates took part in the talent programme.

Career paths

For our highest value human assets, management and professional career paths are designed in order to cover key roles and ensure that the strategic and technological know-how of the Group is kept and developed at the international level. In line with market best practices, Piaggio deploys a number of tools for the supervision and management of succession plans with regard to key Group positions, and in 2018, the Group used the global IT platform to test the methodology implemented, which also takes into account the skills and performances recorded each year.

EVALUATION

The Group places great importance on using transparent criteria and methods for reviewing employees with respect to:
– performance,
– managerial and professional competencies and language skills,
– international mobility,
– potential,
as regards their specific role and company needs.

Both the evaluator and the person being evaluated are given the opportunity to share the result of the performance and skills assessment, and to add to this with suggestions for the establishment of the individual development and training path, to be implemented in accordance with a clearly defined time scale through the dedicated SAP SuccessFactors IT platform.

Employees are evaluated by comparing their competencies against the company model for their specific role, as evidenced by concrete and observable behavioural indicators relative to their everyday work. The review process is managed in an integrated way through a dedicated IT platform and provides the information necessary for the processes of succession planning, management reviews and a gap analysis of professional competencies, which are conducted across the Group.

Performance evaluation influences both development and career paths and rewarding. During 2018, the Evaluation Management System was further consolidated at Group level. This standard evaluation system is for all white collar and managerial staff, assisted by computer tools for the real-time management of all evaluations, for human capital development purposes.

PERCENTAGE OF EMPLOYEES WHO RECEIVED PERFORMANCE AND CAREER DEVELOPMENT REVIEWS IN 2018[21]

GEOGRAPHIC SEGMENT	EMEA&AMERICAS	OF WHICH ITALY	ASIA PACIFIC 2W	INDIA
Senior management	100%	100%	100%	100%
Middle management	100%	100%	100%	100%
White collars	100%	100%	100%	100%
Blue collars	N.A.	N.A.	100%	N.A.

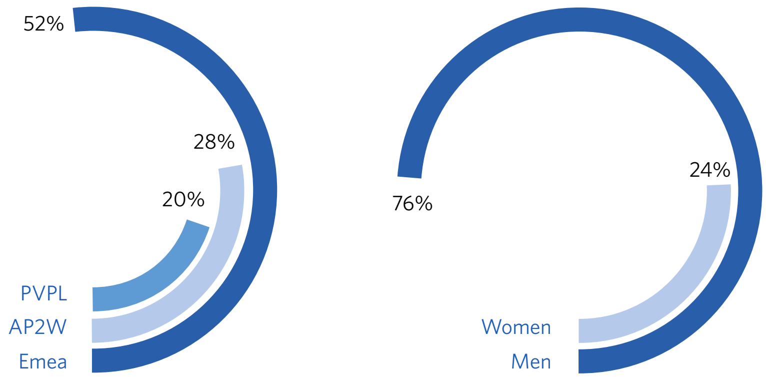
Talent Management: The talent development programme

Programmes to manage young talent are one of the main tools used for development, attraction and retention. The programmes are aimed at employees around the world who show a high potential, great enthusiasm for their work and the courage to undertake new paths, in order to identify and ensure a growth path for the most deserving resources.

In general, these programmes allow talented employees to access customised development plans, which comprise:
– job rotation;
– strategic and international projects;
– events involving top and senior management;
– coaching and personalised training.

21 The figures regard members of the company who have been employed for at least six months at the time of the evaluation.

The programmes include Piaggio Way, which involves employees of all geographic areas of the Group. At present 25 employees are involved, in addition to a community of 55 students who have completed their development plan and who still remain active in the programme.
The geographic breakdown of active participants is as follows: 52% EMEA, 20% India, 28% Asia Pacific.
A structured Talent Review process is conducted each year to verify programme participation.



GEOGRAPHIC DISTRIBUTION OF TALENT AND BREAKDOWN BY GENDER AS OF 31 DECEMBER 2018

TRAINING

The number of hours' training went up by 30% over 2017, also due to the considerable impact of the campaign for continual professional development targeting health and safety, which involved all categories of employees in Italy. Technical, professional and managerial training also increased, mainly with activities provided in India and Asia Pacific.

HOURS OF TRAINING[22] BY TRAINING AREA

THEMATIC AREA	2018				2017			
	EMEA AMERICAS	INDIA	ASIA PACIFIC 2W	TOTAL	EMEA AMERICAS	INDIA	ASIA PACIFIC 2W	TOTAL
Managerial training	5,685	11,942	1,371	18,998	6,059	14,098	742	20,899
Technical – professional training	12,218	7,110	4,166	23,494	10,944	6,762	408	18,114
Language training	4,616	-	132	4,748	5,245	216	640	6,101
Health and safety training	29,418	8,674	3,059	41,151	5,608	5,186	5,544	16,338
TOTAL	**51,937**	**27,726**	**8,728**	**88,391**	**27,856**	**26,262**	**7,334**	**61,452**

TOTAL TRAINING HOURS BY PROFESSIONAL CATEGORY

PROFESSIONAL CATEGORY	2018	2017
Senior management	1,466	1,207
Middle management	12,100	10,727
White collars	36,724	33,662
Blue collars	36,434	11,953
Other workers	1,667	3,841
Total	**88,391**	**61,452**
Total per-capita [23]	**13.3**	**9.3**

22 The figure does not include hours of on-the-job training.
23 The calculation of the average per-capita hours is performed using the hours provided by the Group as the numerator (excluding those for non-salaried workers) and the total number of employees as of 31/12 as the denominator.

TRAINING HOURS BY GENDER

THEMATIC AREA		2018			2017	
	MEN	WOMEN	TOTAL	MEN	WOMEN	TOTAL
Managerial training	16,368	2,630	18,998	18,670	2,229	20,899
Technical – professional training	18,353	5,142	23,494	16,047	2,067	18,114
Language training	2,977	1,771	4,748	4,054	2,047	6,101
Health and safety training	31,343	9,808	41,151	13,330	3,008	16,338
Total	**69,041**	**19,351**	**88,391**	**52,101**	**9,351**	**61,452**

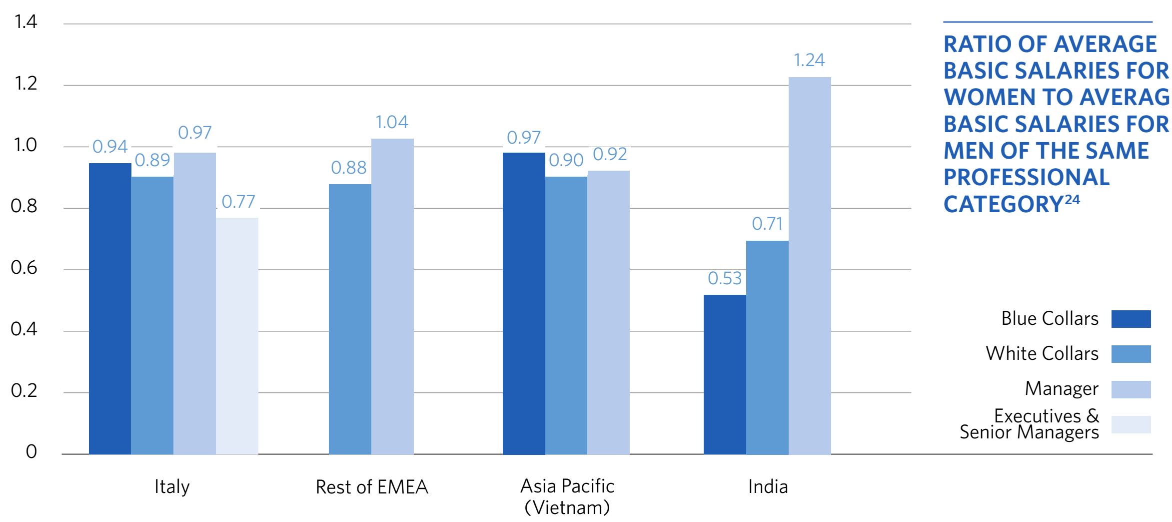
REWARDS

Reward policies are designed to reward individuals and recognise their contribution to the company, according to the criteria of competitiveness, fairness and meritocracy, which are openly shared throughout the evaluation processes, in order to motivate and retain those individuals who make significant contributions to the achievement of business results.
The Group reward system is differentiated for the various professional groups in the company, and consists of a fixed salary component and variable objective- and benefits-based incentive systems.

Salary packages

Piaggio offers to new recruits and all its employees a salary package in line with best market practices. Accordingly, Piaggio has adopted a structured salary review process based on:
- comparing salaries with market benchmarks, considering the market positioning of the company as a whole and the review of individual organisational roles, which is periodically revised. Comparisons are conducted using internationally-recognised methods, with the support of specialist consultants;
- setting out guidelines for the salary review process that take into account company results and focus on criteria of meritocracy, competitiveness, internal fairness and sustainability;
- specific identification of fixed and variable salary components, in accordance with guidelines, with meritocracy logics and retention needs relative to strategic resources for the business.

On the basis of internal analyses carried out in each country of activity, no significant differences were detected within the Piaggio Group between the basic salary and the remuneration of men compared to women with the same category, experience and assigned duties. This basic uniformity in salaries for male and female staff is also confirmed by analysis of the minimum salary of new recruits and guaranteed compliance with limits of local legislation.



RATIO OF AVERAGE BASIC SALARIES FOR WOMEN TO AVERAGE BASIC SALARIES FOR MEN OF THE SAME PROFESSIONAL CATEGORY[24]

24 Categories not reported in individual geographic segments do not have any female employees.

Objective-based incentive systems

The achievement of excellent results in terms of objectives set by the company is rewarded through variable incentive systems, focused on business-related qualitative and quantitative objectives as well as on the internal efficiency of each area of responsibility.
The full process of setting objectives and reviewing results is conducted with employees, using objective criteria.

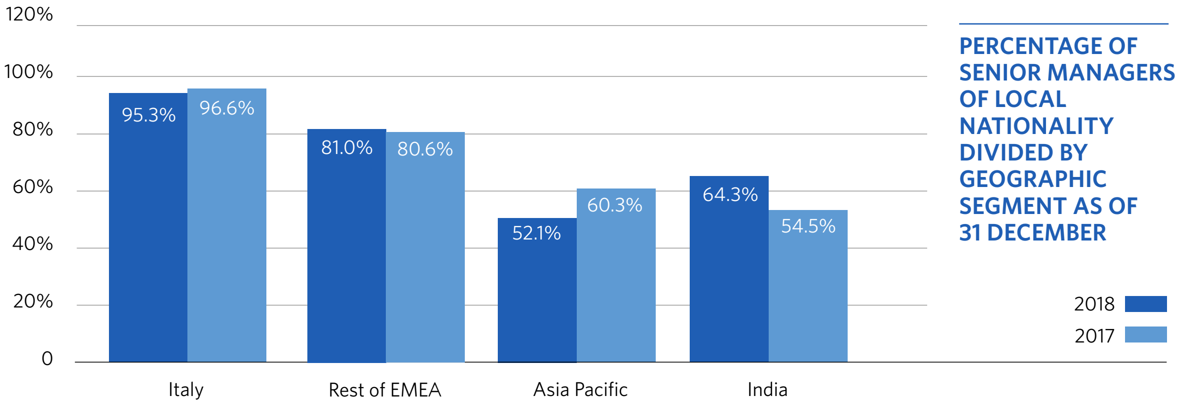
Benefits

Piaggio offers a benefits package in line with best local market practices, which is structured on an organisational basis. Benefits include, by way of example:
- company car;
- private health insurance;
- company medical centre at various sites;
- agreements with local groups and facilities of interest for employees.

Benefits are provided to full-time as well as to part-time employees without differentiation.

DIVERSITY AND EQUAL OPPORTUNITIES

The Group rejects any form of discrimination on the basis of gender, age, nationality, ethnic background, ideology or religion. It operates in strict compliance with law and with contractual requirements, and in keeping with the customs, practices and usages of each country in which Piaggio operates.
Piaggio operates globally with a diversity of employees, in terms of age and gender, in Europe, the Americas and Asia. For Piaggio, managing diversity means acknowledging and respecting differences as part of the shared substratum of company culture. Staff diversity represents various different ways of pursuing and achieving the highest levels of performance within a single, broader Group organisational design.
The Group's concrete commitment to embracing diversity is reflected by its adoption of a Code of Ethics, conformity to international laws on equal opportunities and use of policies that protect forms of diversity already found within the company.
The Group seeks to spread its culture and values throughout the world through shared digital platforms (company intranet and tools supporting the work of HR such as the Success Factor, Piaggio Global Training), with a view to creating the conditions for promoting an international mindset and building a truly multinational organisation, in which all employees can benefit from equal opportunities.
Human resources management processes are conducted applying the same principles of merit, fairness and transparency in all the countries in which the Group operates, with the accent placed on aspects of relevance for the local culture.
Piaggio selects and hires its staff based solely on the candidates' characteristics and experiences and the requirements of the position. As shown in the graph below[25], Piaggio promotes and supports the recruitment of candidates from many parts of the world, to contribute to the international mindset that is a key value for the Group.



PERCENTAGE OF SENIOR MANAGERS OF LOCAL NATIONALITY DIVIDED BY GEOGRAPHIC SEGMENT AS OF 31 DECEMBER

25 Figures include senior managers, first- and second-level executives reporting to top management at Piaggio & C SpA, and the first- and second-level executives of subsidiaries. The term local refers to the national level and local senior managers means senior managers with nationality the same as the country where they work.

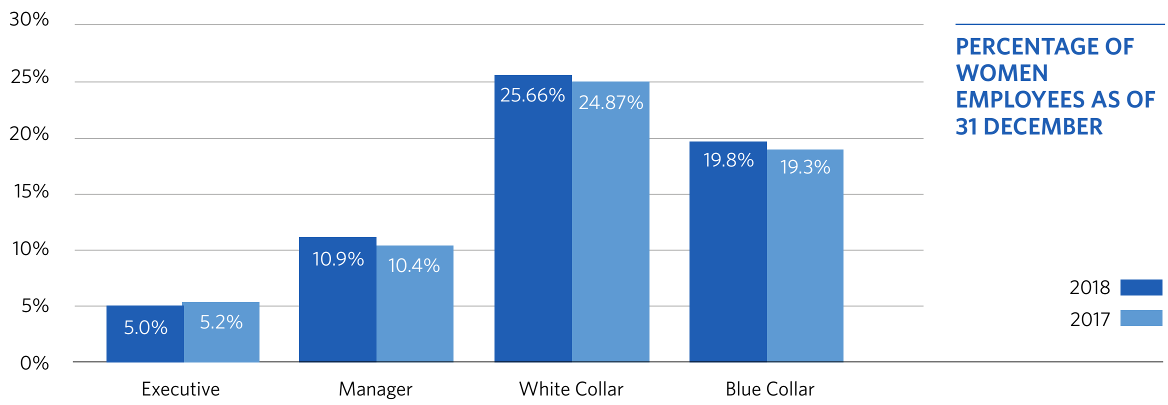
In order to promote and sustain intercultural exchange and diversity management, the Group encourages the international mobility of its people, enabling the reciprocal secondment of employees between Group companies.

Female employment_

Female employees at Piaggio play a fundamental role at all levels of the organisational structure. Their presence, which is equal to 20.3%, is in line with the previous year, with growth in white-collar and managerial positions.

COMPANY EMPLOYEES BY GENDER AND GEOGRAPHIC SEGMENT AS OF 31 DECEMBER

	2018		2017	
	MEN	WOMEN	MEN	WOMEN
EMEA and Americas	2,474	1,112	2,563	1,119
of which Italy	*2,271*	*1,053*	*2,378*	*1,066*
India	1,971	55	2,044	46
Asia Pacific	749	154	704	144
Total	**5,194**	**1,321**	**5,311**	**1,309**



PERCENTAGE OF WOMEN EMPLOYEES AS OF 31 DECEMBER

COMPANY EMPLOYEES BY CONTRACT TYPE, GENDER AND GEOGRAPHIC SEGMENT AS OF 31 DECEMBER 2018

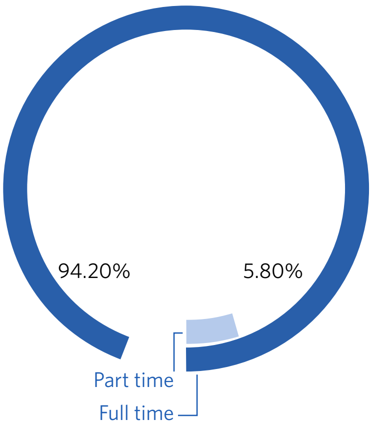
EMPLOYEE/STAFF NUMBERS	FIXED-TERM CONTRACT			OPEN-ENDED CONTRACT		
	MEN	WOMEN	TOTAL	MEN	WOMEN	TOTAL
EMEA and Americas	5	10	15	2,469	1,102	3,571
of which Italy	5	10	15	2,266	1,043	3,309
India	691	27	718	1,280	28	1,308
Asia Pacific	308	61	369	441	93	534
Total	**1,004**	**98**	**1,102**	**4,190**	**1,223**	**5,413**

Equal opportunities are offered to employees of both genders, with concrete initiatives in place to help people strike a balance between work and domestic life. Such initiatives include alternatives to full-time work.

COMPANY EMPLOYEES BY PROFESSION, GENDER AND GEOGRAPHIC SEGMENT AS OF 31 DECEMBER 2018

EMPLOYEE/STAFF NUMBERS	FULL TIME			PART TIME		
	MEN	WOMEN	TOTAL	MEN	WOMEN	TOTAL
EMEA and Americas	2,373	835	3,208	101	277	378
of which Italy	2,196	785	2,981	75	268	343
India	1,971	55	2,026	0	0	0
Asia Pacific	749	154	903	0	0	0
Total	**5,093**	**1,044**	**6,137**	**101**	**277**	**378**

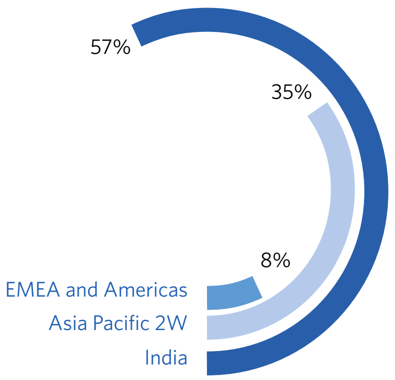
PART-TIME EMPLOYMENT IN ITALY AS OF 31 DECEMBER 2018



Young employees_
Within the Group, the company's largest population is in the 41-50 age group. The generational mix is essential for more experienced workers, who can set an example and pass on skills and abilities learned over time, to impart their knowledge to younger employees.

COMPANY EMPLOYEES BY PROFESSIONAL CATEGORY AND AGE BRACKET AS OF 31 DECEMBER

EMPLOYEE/STAFF NUMBERS		UP TO 30	31-40	41-50	> 50	TOTAL
2018	Senior management	0	8	31	61	100
	Middle management	5	189	274	172	640
	White collars	265	607	494	372	1,738
	Blue collars	1,162	711	1,258	906	4,037
	Total	**1,432**	**1,515**	**2,057**	**1,511**	**6,515**
2017	Senior management	0	4	36	57	97
	Middle management	3	176	258	166	603
	White collars	252	611	523	347	1,733
	Blue collars	1,268	712	1,292	915	4,187
	Total	**1,523**	**1,503**	**2,109**	**1,485**	**6,620**



COMPANY EMPLOYEES UP TO 30 YEARS OF AGE BY GEOGRAPHIC SEGMENT AS OF 31 DECEMBER 2018

Parental/maternity leave

Our companies apply laws passed by pertinent national legislation.

The Group does not discriminate in any way against women who take maternity leave. Indeed, to support work-child care balance, a horizontal part-time contract has been granted to 181 employees in Italy. In addition, as further support for work-life balance, employees at the Pontedera site can benefit from an agreement for childcare support (see the Industrial Relations section).

As demonstration of the above, the following information has been provided for the companies where the phenomenon is more numerically significant[26].

	EMEA & AMERICAS (INCLUDING ITALY)			ASIA PACIFIC		
	M	W	TOTAL	M	W	TOTAL
Employees on maternity leave during 2018	25	30	55	43	25	68
Employees returning in 2018 after maternity leave	25	18	43	43	24	67
Employees returning in 2017 after maternity leave	32	14	46	75	23	98
Employees returning to work and on the payroll 12 months after returning from maternity leave	26	14	40	43	23	66
Retention rate (%)	81.3%	100.00%	87.00%	57.33%	100.00%	67.35%

ENGAGEMENT AND DIALOGUE WITH STAFF

The Piaggio Group's internal communication guidelines are designed to keep employees informed with regard to business performance and prospects, bringing them closer to top management strategies.

The system is based on the conviction that sharing strategic objectives with every employee is a key factor to success. Piaggio uses communication and information tools which respect and empower the social and cultural realities within the Group.

In particular, in Italy there is an active national intranet portal, "PiaggioNet", which provides information on the Group, with company news and the latest on the product ranges of the various brands, as well as a range of staff services (e.g. online coupons, transfer management, manuals/internal procedures, Piaggio Global Training platform and direct access to the online company publication Wide Piaggio Group Magazine, which is also published on the Group's websites, is updated on a continual basis and available in Italian and English versions). Through specific intranet stations ("Piaggio InfoPoint"), located in the Italian factories of the Piaggio Group, blue collars also have access to news (company news, new products) and to many services using their corporate badge.

Similar information is made available to the employees of foreign subsidiaries through the dedicated intranet portal "PiaggioNet International", whose contents are published in English.

26 The figures refer only to parental leave requested up to the child's first birthday.

Additional specific initiatives are provided for employees of premises in Asia and India, for example:
- forums dedicated to employees in India (V-Speak);
- a quarterly meeting at Piaggio Vietnam with management to share quarterly results and targets for the next quarter;
- INDIA E-Care: this is an online platform where external consultants deal with various personal problems of employees and their families, guaranteeing confidentiality;
- Piaggio Vietnam Annual Safety training/Monthly Safety coordinator meeting/Safety Driving contest: these are activities that increase safety awareness.

Industrial relations

The Piaggio Group acknowledges the role of trade union organisations and workers' representatives and is committed to establishing relations with them focussed on attention, engagement and a common understanding; in fact ongoing dialogue is considered as fundamental for finding the best solutions to specific company needs.

The Group's approach lies in involving workers and their representatives in the pursuit of company objectives, establishing a continuous dialogue with them. The solutions and conduct adopted in various countries where the Group operates are in line with the social and institutional context, but are always consistent with the fundamental principles and overall needs of the Group.

Piaggio complies with the labour legislation of countries where it operates. The minimum notice to give in the case of major organisational changes depends on the country where the employee works and on local applicable legislation.

Italy

During 2018, dialogue and discussion continued with trade unions and workers' representatives, with the aim of seeking shared solutions, in order to respond to market situations and to manage the effect of these on employees. Collective bargaining has made it possible to identify shared management tools which are suitable for dealing with the consequences of the long-term crisis in the sector, safeguarding the skills present in the company, encouraging their use and preventing them from being lost.

The National Collective Bargaining Agreement (CCNL) is valid throughout Italy. In the case of major organisational changes, provisions of law and of the relative collective bargaining agreement are complied with.
In August 2017, the trade union organisations FIM, FIOM and UILM presented a platform to discuss an additional (second level) agreement for production units in Italy. Various meeting were held from 2017 onwards. Negotiations are still underway, involving trade union representatives from various sites (Pontedera, Noale, Scorzè and Mandello del Lario), and the provincial and national staff of industry trade unions.

As regards the Pontedera site, which is now fully established as a centre of excellence in innovation, research and design and in the production of vehicles and engines, a new trade union agreement was signed in October 2017 for use of the Solidarity Contract from October 2017 to April 2018.
The Solidarity Contract was subsequently resumed, to run from November 2018 to March 2019.
In February 2018, a mobility procedure was launched for 180 employees was accepted and started in order to downsize staff activities and structurally rebalance the production workforce.

The Scorzè site was involved in the Solidarity Contract in the first quarter of 2018, following the agreement signed in October 2017; at the end of July 2018, a further agreement for a Special Redundancy Fund for reorganisation was signed, ending on 8 January 2019.
The Ordinary Redundancy Fund was also used on a residual basis in June/July 2018.
In October 2017, an agreed-on redundancy procedure was accepted and started for 70 employees in order to structurally rebalance the production workforce.

As regards the Mandello del Lario production site, the increase in production during summer 2018 was addressed with temporary employment contracts and flexible weekly working hours. The Ordinary Redundancy Fund was also used on a residual basis at the end of 2018.

Membership of trade union organisations at Italian sites is shown in the table below:

	2018			2017		
	PONTEDERA	NOALE AND SCORZÈ	MANDELLO DEL LARIO	PONTEDERA	NOALE AND SCORZÈ	MANDELLO DEL LARIO
FIOM	248	125	41	267	127	41
UILM	285	1	2	280	1	2
FIM	326	141	21	321	139	23
UGL	5			8		
USB	36			35		
CGIL/CISL/UIL	1			2		
Total number of employees who are members of a trade union	**901**	**267**	**64**	**913**	**267**	**66**
	35.8%	**51.3%**	**68.8%**	**34.8%**	**50.1%**	**66.7%**

Overall, **episodes of industrial action** were down on the average figure for previous years (- 45% compared to 2016), although slightly up on 2017.
This increase, concerning micro-conflicts within the company, only concerned the Pontedera site, with figures that are not significant and that mainly concerned the actions of just one trade union organisation.

The table below provides a summary of the hours lost due to strikes in 2017 and 2018 at the company's sites in Italy:

		2018	2017
No. of hours lost due to strikes	General/category	1,400	1,100
	Company	14,526	9,877
	Total	**15,926**	**10,977**
% hours lost compared to hours worked	General/category	0.07%	0.05%
	Company	0.8%	0.50%
	of which Pontedera compared to hours worked in Pontedera	0.89%	0.58%
	Total	**0.83%**	**0.55%**
No. of days lost due to strikes	General/category	175	138
	Company	1,816	1,235
	Total	**1,991**	**1,373**

A structured company welfare system has been established in Italy, with services that aim to increase the well-being of employees and their families, in economic and social terms. In particular, two childcare agreements are in place for employees at the Pontedera site.
Moreover, a national trade union agreement at the end of 2011 established a private health insurance fund (Métasalute) for metal and steel processing workers in Italy; the company started paying its contributions to the fund in 2012. Membership of the plan, which was initially on a voluntary basis, has been automatic for all Group employees since October 2017.

The scheme also includes health benefits/services for employees:
- at Pontedera, the company medical centre for employees has specialists (an optician, an orthopaedic specialist, a lung specialist, a dermatologist and an ENT specialist) for consultations during working hours;
- at Noale/Scorzè and Mandello del Lario, all employees are entitled to paid time off for specialist consultations outside the company and for clinical analyses.

All sites also offer employees vaccinations free of charge.

Vietnam

In Vietnam, trade union representatives at a company level (selected by a company trade union committee) are tasked with protecting employees, helping them to understand aspects concerning labour regulations and company policies, and providing economic support for some company initiatives benefiting employees.
In particular, the current Trade Union Committee, elected in February 2014 and comprising 15 members who will remain in office for 6 years, made an excellent contribution in 2018, having sponsored and assisted the company in a number

of initiatives to bolster employee motivation. The main events are outlined below, following on from those organised last year:

- the **"Safety Riding Contest"**, lasting half a day, which promoted employee awareness on the subject of safety. It was also presented to local authorities to emphasise the company's strong focus on safety issues;

- the 6-month **"Road Safety"** campaign (starting in September 2018 and scheduled to end in March 2019), to increase awareness of safe road use, for all employees. This campaign, with specific monthly initiatives, was also organised as most blue-collar workers travel to work by motorcycle/scooter;

- the **"Nutrition Day"** for employees' children: in June, paediatric doctors met with employees to provide advice on the nutrition and health of their children. The half-day event was attended by approximately 300 children, mainly the sons and daughters of blue-collar workers. In particular, the children, who were entertained with games, entertainers and small gifts, were examined by 12 national nutrition doctors;

- the **"Piaggio Vietnam Summer Vacation**" lasting 3 days in August, when employees with their families were given a contribution to spend 3 days' holiday at a location selected in conjunction with the Company and trade union representatives;

- an **"Outing day"**, a team-building event lasting one day, held in August for all employees.

A company football tournament was also held, to increase team spirit through sport.
No strikes took place in 2018.

India
The Indian subsidiary has always based trade union relations on cooperation, seeking to establish an ongoing dialogue and exchange of views. The company and the trade unions acknowledge that it is in the mutual interest of employees and the Piaggio Group to guarantee and pursue greater productivity and higher quality of products, as well as ensuring excellent factory operating process function, all of which enable the company to remain competitive in an environment like the automotive sector which, even in India, constantly demands innovation in its work processes.

In India, trade unions have a two-tier structure: one at company level and the other at local/area level; this structure is also replicated at the Indian subsidiary where the trade union system comprises a company trade union committee with Piaggio workers' representatives, and a central trade union committee, which is the highest hierarchical level, with members selected by the trade union. Currently, the company trade union committee (appointed in November 2018 and with an annual term of office) is made up of 8 members.

At the Indian subsidiary, a collective bargaining agreement is negotiated and signed, at regular intervals. The agreement, which expired in July 2013, was renegotiated and renewed in March 2018, following trade union negotiations without any episodes of conflict. The agreement is for four years.

In 2018, besides signing the above agreement, main activities concerning industrial relations focused on:

- reaching and achieving the blue collar productivity levels established in the new agreement. Based on these indicators, levels of manpower connected with varying levels of production were established;
- Implementation of a flexible temporary labour model. The use of temporary blue-collar workers is related to production volumes based on pre-established ratios;
- adopting other provisions in the agreement concerning salaries and other aspects (regulations on collective closures, the introduction of automation processes, flexibility in operating roles, training, etc.);
- Maintaining and improving positive and cooperative relations with workers and trade unions;
- guaranteeing compliance with labour laws, also following new government regulations (e.g. on the use of apprenticeships, regulations concerning pension funds, etc.);
- Employee engagement to improve business climate and, accordingly, employee motivation. In line with this approach, Piaggio organised numerous activities to involve its employees, including sports' competitions, health checks-ups and prevention, initiatives to raise awareness of environmental issues and the purchase of books for employees' children.

Occupational health and safety

Safeguarding and improving the health and safety of workers has always been integral to the Group's operations and is a strategic commitment which is positioned among the Group's more general objectives. This principle is valid and adopted in all countries where the Group operates. In particular, the Group has taken concrete actions for:
- continual developments towards a safer working environment, based on assessing all aspects of safety at work and the associated systems, beginning with planning new activities or when reviewing existing ones;
- safer conduct through education, information and awareness of all workers, to enable them to perform their duties safely and to become accountable with respect to Health and Safety at Work.

All employees guarantee and work together to put in place effective occupational health and safety programmes, to safeguard their own and others' safety.
Prevention and protection activities to safeguard the health of workers in a complex industrial context like the Piaggio Group, both in Italy and abroad, can only be achieved through an adequately structured organisation which specifically aims to foster a "culture" of safety within the company. Therefore, the belief that safety must focus on behaviours and daily activities is today disseminated at all levels. This approach has led the Piaggio Group to adopt very similar safety management standards in all the countries in which it operates, regardless of the presence of less stringent regulatory constraints with respect to the Group's standards. In this framework, the sites in Italy, India and Vietnam have an Occupational Health and Safety Management System certified to OHSAS 18001 by an accredited certification body. The checks are carried out annually, and were once again concluded successfully in 2018.
With the expiry of the certification of the Occupational Health and Safety Management System (end of 2019), Italian sites will migrate from BS OHSAS 18001 to the new standard ISO 45001:2018.
In line with requirements of the new version of ISO 45001:2018, the number of meetings with workers' safety representatives has been increased at the Pontedera site, in order to further consolidate consultation and participation with a view to continually improving the Occupational Health and Safety Management System; during these meetings the results of the analysis of accidents and their causes are discussed.
In line with Occupational Health and Safety Management System requirements, the Group has identified safety training as the key driver for disseminating a culture and fostering a conduct focussed on safety leadership and for generating commitment and steering conduct.
Promoting health is another important aspect for Piaggio, and this is achieved based on two areas of action: free testing and information campaigns on healthy lifestyles. Each Group site has a health unit for prevention, surveillance and first aid, manned by specialist medical and paramedical staff.

Italy

During the year, implementation of the SAP H&S IT application continued, with the assistance of the Information Technology department. This software is dedicated to managing Health and Safety aspects and covers the following in particular: accident management, reporting risk conditions and management logs, risk assessment and health surveillance. During 2019, aspects related to the following modules will be implemented: audits & inspections, managing findings and nonconformities, tracking register, company emergency plan, managing personal protective equipment, managing contractors, occupational diseases and dashboard & reporting.
The objectives that will be pursued with these projects are:
- maintaining legislative compliance;
- standardising the management of Health and Safety aspects and applicable KPIs at international level;
- strengthening control over the scheduling of programmes in order to achieve the objectives set;
- streamlining reporting operations;
- Increasing access to information by all stakeholders.

As far as procedural aspects are concerned, the tasks and duties of the various offices of the company have been clearly defined and the various responsibilities have been identified for the different flows that enable health surveillance and personnel training to be supervised, so as to guarantee legislative compliance. With this in mind, the close relationship between the "Training" and "Health & Safety" functions continues, enabling the design and development of courses that, in line with the deadlines and content envisaged by current legislation, correspond with the specific characteristics of the company whilst enabling learners to acquire greater awareness of health and safety issues.

FREQUENCY INDEX[27] - ITALY

		2018			2017	
	M	W	TOT	M	W	TOT
Pontedera	1.0	1.6	**1.2**	1.2	1.9	**1.4**
Noale and Scorzè	0.4	0.7	**0.5**	0.4	0.0	**0.3**
Mandello del Lario	0.7	0.0	**0.7**	0.0	0.0	**0.0**

The reduction in the frequency index for the Pontedera site for 2018 (compared to previous years) reflects the Group's commitment to creating a "safety culture", in which the promotion of a "safe conduct" is key to change.

SEVERITY INDEX[28]– ITALY

		2018			2017	
	M	W	TOT	M	W	TOT
Pontedera	16.6	44.3	**24.5**	23.4	48.7	**30.6**
Noale and Scorzè	12.2	9.3	**11.6**	7.7	0.0	**6.1**
Mandello del Lario	9.8	0.0	**9.2**	0.0	0.0	**0.0**

The considerable decrease for the Pontedera site is particularly important.

OCCUPATIONAL DISEASES IN ITALY

	2018		2017	
	REPORTED	ACKNOWLEDGED	REPORTED	ACKNOWLEDGED
Pontedera	70	(*)	95	(*)
Noale and Scorzè	0	0	0	0
Mandello del Lario	1	(*)	0	0

(*) To date, the outcome from INAIL concerning occupational diseases reported in the year considered is not known.

27 The frequency index is calculated as If = (no. of accidents * 100,000) / hours worked. The number of accidents is calculated considering only accidents in the workplace, excluding accidents reported pursuant to article 53 of Italian Presidential Decree no. 1124/65. As of article 53, both commuting accidents and accidents not considered reliable (due to the lack of a violent cause or lack of a causal link or lack of work activity) are reported.
28 The severity index is calculated as Ig = (working days lost through accidents [see note 27] / hours worked) x 100,000.

NUMBER OF FATAL ACCIDENTS IN ITALY

			2018			2017
	M	W	TOT	M	W	TOT
Pontedera	1 [(a)]	0	**1**	0	0	**0**
Noale and Scorzè	0	0	**0**	0	0	**0**
Mandello del Lario	0	0	**0**	0	0	**0**

(a) An accident occurring while commuting.

As regards external companies operating at Piaggio & C.'s Italian production sites, 7 accidents were recorded for 2018, only regarding the Pontedera site (3 in 2017).

Vietnam

The main priority of the company is compliance with local laws, international health and safety standards and Piaggio Group policies. In this framework, it guarantees the achievement of objectives to improve workers' health and safety through a dedicated H&S facility.

In accordance with Group guidelines, suppliers and external companies that operate at the site are contractually bound to comply with occupational health and safety policies, respect Piaggio Vietnam procedures and programmes, and observe the instructions given to them. Any breach thereof is a breach of the contract and sufficient reason for termination of the same; in the interests of improvement, the company organises specific safety courses for "contractors" in order to raise standards regarding these issues.

For this purpose, a Safety Committee was established involving all members of the various functions and chaired by the production manager. The Committee members are responsible for managing any safety-related issues within their functional area and for taking the required corrective actions. They also conduct periodic audits of the entire site and report to the committee on all relevant aspects regarding safety, so that corrective actions may be promptly taken.

In order to effectively implement general health and safety regulations, a programme of activities is defined each year, based on operating plans, that are updated on an ongoing basis.

In parallel with training and awareness-raising activities, a number of initiatives have been adopted aimed at building a culture of safety and at raising the awareness of employees and their families on this issue; these include: "Safe test in Feb", "National Labor Safety Month in May", "National Traffic Safety Month in Sept", "Signage" and the "Road Safety Campaign".

FREQUENCY INDEX - VIETNAM

			2018			2017
	M	W	TOT	M	W	TOT
Vietnam	0.0	0.0	**0.0**	0.21	0.0	**0.18**

The frequency index for 2018 reported a decrease, compared to previous years.

SEVERITY INDEX IN VIETNAM

			2018			2017
	M	W	TOT	M	W	TOT
Vietnam	0.0	0.0	**0.0**	9.42	0.0	**7.92**

The considerable decrease in the trend is particularly important.

OCCUPATIONAL DISEASES IN VIETNAM

	2018		2017	
	REPORTED	ACKNOWLEDGED	REPORTED	ACKNOWLEDGED
Vietnam	0	0	0	0

Compared to a considerable national trend, the number of occupational diseases reported at the Vietnamese site was equal to zero and reflects the Piaggio Group's commitment to achieving the objective of guaranteeing healthy workplaces.

NUMBER OF FATAL ACCIDENTS IN VIETNAM

	2018			2017		
	M	W	TOT	M	W	TOT
Vietnam	0	0	**0**	0	0	**0**

As regards external companies operating at Piaggio's Vietnamese site, no accidents were reported in 2018.

India

In order to guarantee the highest occupational health and safety standards, the Indian subsidiary has an organisational structure that operatively involves the "Occupier" (employer), which is a single person for various production sites who has responsibility for the health, safety and well-being of all employees in the work place, Factory Managers and a Safety Committee comprising 20 members that includes executives, managers and white collars. The Safety Committee meets at regular intervals to plan, revise and discuss action plans necessary to establish and disseminate an awareness and safety culture in the work place among employees. The presence of a Health & Safety team guarantees that the entire system may operate effectively.
In line with the Group's approach, a great deal has been invested in training over the last few years as a key driver to increase employee accountability in relation to safety and, consequently, to promote a proactive approach to and engagement with safety issues.

FREQUENCY INDEX - INDIA

	2018			2017		
	M	W	TOT	M	W	TOT
Engine & Commercial Vehicles	0.011	0.0	**0.01**	0.0	0.0	**0.0**
2W India	0.0	0.0	**0.0**	0.0	0.0	**0.0**
Spare Parts	0.0	0.0	**0.0**	0.02	0.0	**0.02**

SEVERITY INDEX IN INDIA

	2018			2017		
	M	W	TOT	M	W	TOT
Engine & Commercial Vehicles	1.019	0.0	**1.0**	0.0	0.0	**0.0**
2W India	0.0	0.0	**0.0**	0.0	0.0	**0.0**
Spare Parts	0.0	0.0	**0.0**	4.1	0.0	**4.1**

OCCUPATIONAL DISEASES IN INDIA

	2018		2017	
	REPORTED	ACKNOWLEDGED	REPORTED	ACKNOWLEDGED
Engine & Commercial Vehicles	0	0	0	0
2W India	0	0	0	0
Spare Parts	0	0	0	0

Compared to a considerable national trend, the number of occupational diseases reported at Indian sites was equal to zero and reflects the Piaggio Group's commitment to achieving the objective of guaranteeing healthy workplaces.

NUMBER OF FATAL ACCIDENTS IN INDIA

	2018			2017		
	M	W	TOT	M	W	TOT
Engine & Commercial Vehicles	0	0	**0**	0	0	**0**
2W India	0	0	**0**	0	0	**0**
Spare Parts	0	0	**0**	0	0	**0**

As regards external companies operating at Piaggio's Indian production site, only 1 accident was reported in 2018, and in 2017.

Responsible management of the supply chain

Piaggio Group produces vehicles that are sold under its brand on the various markets around the world. The only exception regards vehicles purchased by the Chinese subsidiary Zongshen Piaggio Foshan (about 17,100 units in 2018, equivalent to 2.8% of vehicles sold).
Piaggio is a leader in engine technology and produces engines at its plans both for internal production and to meet the demand of other manufacturers.
All the other components that constitute a vehicle are purchased externally and assembled in-company.

Italian plants

In 2018, Italian plants purchased merchandise and spare parts for an overall value of €389 million (excluding complete vehicles) from around 710 suppliers.
The first ten suppliers made up 20% of the total purchases.

GEOGRAPHIC LOCALISATION OF THE SUPPLIERS OF ITALIAN PLANTS[29]

GEOGRAPHIC SEGMENT	2018	2017
EMEA	65.7%	68%
China+Taiwan	20.8%	19%
Vietnam	5.8%	5%
India	6.7%	7%
Japan	0.3%	1%
Others	0.7%	-

In 2018 payments were made to suppliers for about €627 million.

29 For the calculation of the percentages, the value of incoming goods for orders - open orders was taken into consideration.

Indian plants

In 2018, plants in India purchased raw materials, merchandise and spare parts for an overall value of €305 million from around 590 suppliers.
The first ten suppliers made up 35% of the total purchases.

GEOGRAPHIC LOCATION OF THE SUPPLIERS TO INDIAN PLANTS

GEOGRAPHIC SEGMENT	2018	2017
India	95.1%	97.2%
Altro	4.9%	2.8%

In 2018 payments were made to suppliers for about 352 million Euros.

Vietnamese plants

In 2018, plants in Vietnam purchased merchandise and spare parts for an overall value of €141 million from around 220 suppliers.
The first ten suppliers made up 37% of the total purchases.

GEOGRAPHIC LOCALISATION OF THE SUPPLIERS OF VIETNAMESE PLANTS

GEOGRAPHIC SEGMENT	2018	2017
Vietnam	53.3%	47.1%
China+Taiwan	21.3%	19.8%
EMEA	20.1%	26.9%
India	2.0%	2.4%
Others	3.3%	3.8%

In 2018 payments were made to suppliers for about €139 million.

Group relations with suppliers are based on loyalty, impartiality and respect of equal opportunities of all parties concerned.
The Piaggio Group is convinced that responsibility is a commitment which goes beyond the boundaries of the Company and must positively involve everyone in the Company-supplier chain; this is why suppliers worldwide that wish to do business with Piaggio have to sign the general conditions of supply of the Piaggio Group which include the "Code of Ethics and Guidelines for doing business"; audits are regularly conducted on the Group's direct material suppliers to ensure their effective compliance.

In line with the Group's guidelines, every year the Purchasing Unit seeks to improve the procurement process by promoting the technical skills of buyers and focusing on the management of the various goods categories.

Over the last few years, Piaggio Group Management has started a process of common development with its suppliers by setting up a specific department called "Vendor Assessment" as well as assigning the "Finance" Function to define and monitor activities of possible risks areas involving financial and corporate issues, to protect and guarantee the complete independence between corporate areas involved in the procurement processes, as well as to place priority on meeting the needs of all stakeholders.

Vendor Assessment

The purpose of the Vendor Assessment department within the Piaggio Group is to forge a long-lasting, mutually satisfying relationship with a network of highly qualified partners. In addition to managing the Supplier Qualification Process, the function has the task of doing an evaluation of the purchasing performance through Vendor Rating Campaigns.

Supplier relations are defined by specific company processes comprising two fundamental stages: new supplier qualification and supplier monitoring.
New supplier qualification is an inter-functional process based on specific standards that lead to a potential supplier being included in the Supplier List, for its chosen goods' category; after an initial documentary prequalification stage, a multidisciplinary, supplier qualification team is involved, with specific positions giving a technical, economic/financial and corporate rating on goods' categories.

Suppliers are monitored through at least two annual assessment sessions, called "Vendor Rating Campaign", during which supplies for the period in question are reviewed based on the quality of the business relationship, the technical-scientific cooperation, compliance with delivery schedules and the quality of the product supplied. This provides a reference framework for procurement strategies and actions concerning suppliers.
The process involves:
- Assignment of a Vendor Rating Index, which measures the performance of the vendor using a weighted average of the assessments made by corporate functions (for direct materials, the relevant functions are R&D, Quality, Manufacturing and Spare Parts);
- Assignment of a Criticality Rating that takes into account both the reliability of the supplier in economic and financial terms and the Quality function's assessment, to decide whether a supplier is "critical" for the purposes of granting them new supply agreements.

At present, Criticality Ratings have been assigned to most Group suppliers of European production sites only. In terms of "spending", the indicator for 2018 covered 98% of purchases of direct materials and 50% of services and works provided. The evaluation process was also carried out in Vietnam and India.

Supporting local communities

FONDAZIONE PIAGGIO[30]

2018 was a milestone in the history of the Fondazione Piaggio. In fact all sectors where the Foundation is active reported considerable growth, in quantitative and qualitative terms, including increasingly important scientific and cultural events with an international slant, closer ties with institutions and the economic and social fabric of areas where Piaggio operates, more initiatives for young people, stronger relations with the Vespa Clubs and above all considerable additions to the Piaggio Museum.

PIAGGIO MUSEUM

The Piaggio Museum, with its historic focus on the Vespa, changed considerably during the year, with a new look and additions to its collections. A further two rooms dating from the mid-twentieth century were renovated, and consequently the display area has increased from 3,000 metres of floor space to over 5,000 metres. Two new rooms have been set up to house the collections of the Piaggio Group's Commercial Vehicles, Scooters and Motorcycles, mainly showcasing the Gilera brand, but also Aprilia racing vehicles and vintage Moto Guzzis, while the two existing areas house the Vespa collection.
With over 250 superb vehicles on show, the Museo Piaggio has become the largest and most comprehensive museum in Italy dedicated to two-wheelers, and the only venue that can portray the story of an industry with such an outstanding technological and innovative content, whose evolution has made its mark on the history of Italy and Europe.

PIAGGIO HISTORICAL ARCHIVE

In 2018, as has been the case in recent years, the Piaggio Historical Archive contributed significantly to many of the activities of the Piaggio Foundation. It continued its valuable role in supporting research and in managing requests for meetings and consultations from scholars and researchers (with a significant increase in requests for advice

30 Information on the Fondazione Piaggio (Piaggio Foundation), which is not included in the scope of consolidation of the Group, refers to qualitative aspects useful for understanding its focus on the social fabric, even though this information is not included in the scope of consolidation of quantitative information of the NFS.

regarding high-profile scientific research within the academic sector), as well as assisting with the Museum's teaching activities and the iconographic and documentary research for books and publications and for the preparation of exhibitions and internal and external events. Particularly important work was carried out regarding historical aspects and documents during the renovation and extension of the Museum areas, with the opening of the area dedicated to the Group's motorcycle brands (Gilera, Moto Guzzi, Aprilia) and to Piaggio products (Ape, Porter, scooters, etc.). The Historical Archive strengthened its ties partnering Piaggio departments, providing historical advisory services as well as selecting and sending images and documentary material, in particular for some licensing projects. Activities to supervise the collections: "Passione motorini" and "Vespa Collection" (both published by Centauria) were particularly important. Support was also provided for the upcoming publication of the book dedicated to the Vespa by the publishers Whitestar. The Archive also began activities to assist Piaggio's Press Office in sorting and updating historical material available in the Press Area.

CULTURAL PROJECT

The activities and events organised or promoted by the Piaggio Foundation during the year are part of a wider-ranging cultural project designed to convey the historical and current values of the Piaggio Group to visitors, and to transform the Museum into a scientific, artistic and cultural meeting place which can be visited again and again.

CHARITY ACTIVITIES AND SPONSORSHIPS

2018 saw the consolidation of the collaboration between the Piaggio Group and (RED) - an association founded in 2006 by Bono and Bobby Shriver - which has contributed US$360 million to the Global Fund for the fight against AIDS, Tuberculosis and Malaria. The aid provided by (RED) to the Global Fund had an impact on more than 70 million people through activities such as prevention, treatment, counselling, HIV testing and support services. As part of the partnership, a Vespa 946 (RED) was built, which is currently being marketed in Europe, Asia, the Pacific Area and the United States. For each Vespa 946 (RED) sold, US$150 will be donated to the Global Fund and the fight against AIDS. A concrete and valuable contribution, thanks to which (RED) will be able to guarantee more than 500 days of medical care to save lives threatened by HIV and help prevent the transmission of the virus from HIV-infected mothers to their unborn children.
Charity events supporting partnerships were also organised in Europe, Asia and India.
In the US and Canada, Vespa (RED) products were the stars of the Shopathon charity marathon and were put on sale through Amazon.

Piaggio also continued the Vespa for Children project in 2018, a humanitarian charity initiative which, by involving the Group's companies, intends to create charitable projects aimed at promoting social solidarity in the fields of health and social care for children in developing countries.
Piaggio Vietnam in particular has been very active in the support of local associations that deal with families in need and education for children.
The Indian subsidiary has also supported a number of local initiatives for non-profit organisations that work in the fields of health and education.
In Italy, Piaggio took part, also under the aegis of the Vespa for Children project, in various events held in 2018 to help the community, donating vehicles for charity auctions and raising funds for the Italian Association for Cancer Research, AIRC, and the children's charity Fondazione Laureus.

The Group took part in some very important cultural events, like for example the Mantova Literature Festival, not to mention other events organised by the Vespa World Club.
Lastly, for some years now, for the end of the year holidays, together with the entire Immsi Group, Piaggio Group fosters educational and rehabilitative activities for disabled children affected by brain damage by making a donation to the "Casa del Sole Onlus" association, in the name of all the employees of the Immsi and Piaggio groups. In forty years of activities, the non-profit making organisation Casa del Sole Onlus has assisted over five thousand children affected by brain damage and been a valuable source of help for their families.

The partnership between Moto Guzzi and Canottieri Moto Guzzi was renewed in 2018. During Open House at Mandello del Lario, in September, the historic site of this Rowing Club was chosen as the location for an event dedicated to Moto Guzzi fans.

TABLE OF CORRESPONDENCE LEGISLATIVE DECREE NO. 254/2016 - MATERIAL TOPICS - GRI STANDARDS

TOPIC AS OF LEGISLATIVE DECREE NO. 254/2016	TOPIC	RISKS IDENTIFIED	POLICIES ADOPTED	TOPIC SPECIFIC STANDARD/ DISCLOSURE	REFERENCE CHAPTER / PARAGRAPH	REPORTING PERIMETER	NOTES
	Product innovation and sustainable mobility	Chapter The business model The risk related to an actual or presumed product defect due to inadequate quality/ safety/technological levels and a potential recall action.	Policy adopted to monitor technological leadership in the sector				
ENVIRONMENT	Energy efficiency	Chapter Risk Management Paragraph Environment Risk of environmental damage attributable to the Group's responsibility, with a potential impact on the surrounding community	Environmental policy - The Environmental Dimension	GRI 302-1: Energy consumption within the organization	The Environmental Dimension – Reducing of energy consumption	Production sites and commercial companies	Data on the consumption of the Rome and Milan offices are not considered relevant.
				GRI 305-1: Direct greenhouse gas (GHG) emissions (Scope 1)	The Environmental Dimension - Reducing emissions of CO_2 and other pollutants	Production sites	
				GRI 305-2: Energy indirect greenhouse gas (GHG) emissions (Scope 2)	The Environmental Dimension - Reducing emissions of CO_2 and other pollutants	Production sites	Emissions of commercial offices are not indicated. Data on the emissions of the Rome and Milan offices are not considered relevant.
				GRI 305-7: NOX, SOX, and other significant air emissions	The Environmental Dimension - Reducing emissions of CO_2 and other pollutants	Production sites	The indicator only considers VOC (volatile organic compounds) released by solvents used in painting.
	Waste handling	Chapter Risk Management Paragraph Environment Risk of environmental damage attributable to the Group's responsibility, with a potential impact on the surrounding community	Environmental policy - The Environmental Dimension	GRI 306-1-2: Total weight of waste by type and disposal method	The Environmental Dimension - Waste handling and recovery	Production sites	Waste production of commercial offices, research centres and the Rome and Milan offices is considered as not relevant, as it is equivalent to municipal waste.
				GRI 306-3: Total number and volume of significant spills	The Environmental Dimension – Avoiding soil contamination	Production sites	

TOPIC AS OF LEGISLATIVE DECREE NO. 254/2016	TOPIC	RISKS IDENTIFIED	POLICIES ADOPTED	TOPIC SPECIFIC STANDARD/ DISCLOSURE	REFERENCE CHAPTER / PARAGRAPH	REPORTING PERIMETER	NOTES
ENVIRONMENT	Conserving water resources	Chapter Risk Management Paragraph Environment Risk of environmental damage attributable to the Group's responsibility, with a potential impact on the surrounding community	Environmental policy - The Environmental Dimension	GRI 303-1: Total water withdrawal by source	The Environmental Dimension - Conserving water resources	The entire Group	Data on the use of the Rome and Milan offices are not considered relevant.
				GRI 303-2: Water sources significantly affected by withdrawal of water	The Environmental Dimension - Conserving water resources	Production sites	
				GRI 303-5: Percentage and total volume of water recycled and reused	The Environmental Dimension - Conserving water resources	Production sites	
				GRI 303-4: Total water discharge by quality and destination	The Environmental Dimension - Conserving water resources	Production sites and commercial companies	
	Broad-ranging	Chapter Risk Management Paragraph Environment Risk of environmental damage attributable to the Group's responsibility, with a potential impact on the surrounding community	Environmental policy - The Environmental Dimension	GRI 307-1: Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	Corporate Governance - Compliance with laws and regulations	The entire Group	
				GRI 305-3: Significant environmental impacts of transporting products and other goods and materials for the organization's operations, and transporting members of the workforce	The environmental dimension - Logistics	Italy	
				- Total environmental protection expenditures and investments by type	The environmental dimension - Environmental spending and investments	Italy	

TOPIC AS OF LEGISLATIVE DECREE NO. 254/2016	TOPIC	RISKS IDENTIFIED	POLICIES ADOPTED	TOPIC SPECIFIC STANDARD/ DISCLOSURE	REFERENCE CHAPTER / PARAGRAPH	REPORTING PERIMETER	NOTES
SOCIAL	Safety and reliability	Chapter Risk Management Paragraph Social The risk related to an actual or presumed product defect due to inadequate quality/safety/ technological levels and a potential recall action.	Policy adopted to produce vehicles that guarantee a high level of active, passive and preventive safety. The adoption of this policy is demonstrated by the Group's commitment to maintaining certification of its quality management systems (ISO 9001/ ISO 16949).				
	Responsible management of the supply chain	Risk relative to management of the Group's supply chain: supplier breach, excess reliance on individual/critical suppliers, management of partnerships and alliances	Policy adopted to qualify and periodically evaluate suppliers based on technical/professional/financial criteria in line with international standards	GRI 204-1: Proportion of spending on local suppliers at significant locations of operation	The social dimension - Responsible management of the supply chain	Production sites	The Group provides data on the purchases of its production sites relative to the purchase of goods and spare parts. Purchases of commercial companies and research centres are not considered, as they are residual and not relevant.
	Supporting local communities	Chapter Risk Management Paragraph Social	Policies adopted to establish roots in the area and increase value for the community. The Fondazione Piaggio is an example of the Group's focus on the community.	GRI 413-1: Percentage of operations with implemented local community engagement, impact assessments, and development programs	The social dimension - Supporting local communities	The entire Group	The Group provides information about charity activities promoted in the year, and initiatives taken by the Fondazione Piaggio and Museo Piaggio.
	Broad-ranging	Chapter Risk Management		GRI 419-1: Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations	The fight against corruption - Compliance with laws and regulations	The entire Group	Tax sanctions are not included.
EMPLOYEES	Developing human capital	Chapter Risk Management Paragraph on Personnel Risk arising from a lack of skills, professionalism and experience of company resources, the inadequate sizing of the structure and trade union tensions.	Policies adopted to manage personnel (e.g. recruitment and internal mobility, development and careers, training, industrial relations, diversity and equal opportunities)	GRI 401-1: Total number and rates of new employee hires and employee turnover by age group, gender, and region	The Social Dimension - Staff	The entire Group	The Group reports the turnover rate by professional category and geographic segment.
				GRI 401-2: Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operation	The social dimension - Personnel management policies - Rewards	The entire Group	
				GRI 401-3: Return to work and retention rates after parental leave, by gender	The social dimension - Personnel management policies - Diversity and equal opportunity	Italy Vietnam EMEA & Americas	The Group reports on the retention rate.

TOPIC AS OF LEGISLATIVE DECREE NO. 254/2016	TOPIC	RISKS IDENTIFIED	POLICIES ADOPTED	TOPIC SPECIFIC STANDARD/ DISCLOSURE	REFERENCE CHAPTER / PARAGRAPH	REPORTING PERIMETER	NOTES
EMPLOYEES	Developing human capital	Chapter Risk Management Paragraph on Personnel Risk arising from a lack of skills, professionalism and experience of company resources, the inadequate sizing of the structure and trade union tensions.	Policies adopted to manage personnel (e.g. recruitment and internal mobility, development and careers, training, industrial relations, diversity and equal opportunities)	GRI 202-1: Ratios of standard entry level wage by gender compared to local minimum wage at significant locations of operation	The social dimension - Personnel management policies - Rewards	The entire Group	
				GRI 202-2: Proportion of senior management hired from the local community at significant locations of operation	The social dimension - Personnel management policies - Diversity and equal opportunity	The entire Group	
				GRI 404-1: Average hours of training per year per employee by gender, and by employee category	The social dimension - Personnel management policies - Training	The entire Group	
				GRI 404-2: Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	The social dimension - Personnel management policies - Development and careers	The entire Group	
				GRI 404-3: Percentage of employees receiving regular performance and career development reviews, by gender and by employee category	The social dimension - Personnel management policies - Evaluation	The companies PFF, PADC and PCSM are excluded.	
				GRI 405-1: Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity	The social dimension - Personnel management policies - Diversity and equal opportunity	The entire Group	The Group reports employee data.

TOPIC AS OF LEGISLATIVE DECREE NO. 254/2016	TOPIC	RISKS IDENTIFIED	POLICIES ADOPTED	TOPIC SPECIFIC STANDARD/ DISCLOSURE	REFERENCE CHAPTER / PARAGRAPH	REPORTING PERIMETER	NOTES
EMPLOYEES	Developing human capital	Chapter Risk Management Paragraph on Personnel Risk arising from a lack of skills, professionalism and experience of company resources, the inadequate sizing of the structure and trade union tensions.	Policies adopted to manage personnel (e.g. recruitment and internal mobility, development and careers, training, industrial relations, diversity and equal opportunities)	GRI 405-2: Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation	The social dimension - Personnel management policies - Diversity and equal opportunity	Italy, EMEA, Vietnam, India	
				GRI 402-1: Minimum notice periods regarding operational changes, including whether these are specified in collective agreements	The social dimension - Industrial relations	Italy	
	Health and safety	Chapter Risk Management Paragraph on Personnel Risk of injuries/accidents sustained by personnel of the Group's offices / sites	Occupational health and safety (OHSAS 18001)	GRI 403-2: Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities, by region and by gender	The social dimension - Occupational health and safety	Production sites	
RESPECTING HUMAN RIGHTS	Respecting human rights	Risk Management - Human rights Risk from unlawful activities carried out by employees	Code of Ethics, Policy to report violations of human rights	GRI 412-1: Total number of incidents of discrimination and corrective actions taken	The fight against corruption - Compliance with laws and regulations	The entire Group	
FIGHTING AGAINST CORRUPTION	Fighting against corruption	Risk Management - Fighting against corruption Risk from unlawful activities carried out by employees	Code of Ethics	GRI 205-3: Confirmed incidents of corruption and actions taken	The fight against corruption - Compliance with laws and regulations	The entire Group	


aprilia
RACING
DAINESE
D|air
aprilia
aprilia
DAINESE

REPORT OF THE INDEPENDENT AUDITORS ON THE CONSOLIDATED NON-FINANCIAL STATEMENT - LEGISLATIVE DECREE NO. 254 OF 30 DECEMBER 2016

pwc

Independent auditor's report on the consolidated non-financial statement

pursuant to article 3, paragraph 10, of Legislative Decree No. 254/2016 and article 5 of CONSOB Regulation No. 20267 of January 2018

To the Board of Directors of Piaggio & C. SpA

Pursuant to article 3, paragraph 10, of Legislative Decree No. 254 of 30 December 2016 (the "Decree") and article 5 of CONSOB Regulation No. 20267/2018, we have performed a limited assurance engagement on the consolidated non-financial statement of Piaggio & C. SpA and its subsidiaries (hereafter the "Group") for the year ended 31 December 2018 prepared in accordance with article 4 of the Decree and approved by the Board of Directors on 25 February 2019 (hereafter the "NFS").

Responsibility of Management and those charged with Governance for the NFS

Directors are responsible for the preparation of the NFS in accordance with article 3 and 4 of the Decree and with the "Global Reporting Initiative Sustainability Reporting Standards" defined in 2016 by GRI - Global Reporting Initiative, hereafter the "GRI Standards", identified as the reporting standards.

Directors are responsible, in the terms prescribed by law, for such internal control as management determines is necessary to enable the preparation of a NFS that is free from material misstatement, whether due to fraud or error.

Directors are responsible for identifying the content of the NFS, within the matters mentioned in article 3, paragraph 1, of the Decree, considering the activities and characteristics of the Group and to the extent necessary to ensure an understanding of the Group's activities, its performance, its results and related impacts.

Directors are responsible for defining the business and organisational model of the Group and, with reference to the matters identified and reported in the NFS, for the policies adopted by the Group and for the identification and management of risks generated and/or faced by the Group.

The Board of Statutory Auditors is responsible for overseeing, in the terms prescribed by law, compliance with the Decree.

PricewaterhouseCoopers SpA

Sede legale e amministrativa: Milano 20149 Via Monte Rosa 91 Tel. 0277851 Fax 027785240 Cap. Soc. Euro 6.890.000,00 i.v., C.F. e P.IVA e Reg. Imp. Milano 12979880155 Iscritta al n° 119644 del Registro dei Revisori Legali - Altri Uffici: **Ancona** 60131 Via Sandro Totti 1 Tel. 0712132311 - **Bari** 70122 Via Abate Gimma 72 Tel. 0805640211 - **Bologna** 40126 Via Angelo Finelli 8 Tel. 0516186211 - **Brescia** 25123 Via Borgo Pietro Wuhrer 23 Tel. 0303697501 - **Catania** 95129 Corso Italia 302 Tel. 0957532311 - **Firenze** 50121 Viale Gramsci 15 Tel. 0552482811 - **Genova** 16121 Piazza Piccapietra 9 Tel. 01029041 - **Napoli** 80121 Via dei Mille 16 Tel. 08136181 - **Padova** 35138 Via Vicenza 4 Tel. 0498734811 - **Palermo** 90141 Via Marchese Ugo 60 Tel. 091349737 - **Parma** 43121 Viale Tanara 20/A Tel. 0521275911 - **Pescara** 65127 Piazza Ettore Troilo 8 Tel. 0854545711 - **Roma** 00154 Largo Fochetti 29 Tel. 06570251 - **Torino** 10122 Corso Palestro 10 Tel. 011556771 - **Trento** 38122 Viale della Costituzione 33 Tel. 0461237004 - **Treviso** 31100 Viale Felissent 90 Tel. 0422696911 - **Trieste** 34125 Via Cesare Battisti 18 Tel. 0403480781 - **Udine** 33100 Via Poscolle 43 Tel. 043225789 - **Varese** 21100 Via Albuzzi 43 Tel. 0332285039 - **Verona** 37135 Via Francia 21/C Tel. 0458263001 - **Vicenza** 36100 Piazza Pontelandolfo 9 Tel. 0444393311

www.pwc.com/it

pwc

Auditor's Independence and Quality Control

We are independent in accordance with the principles of ethics and independence set out in *the Code of Ethics for Professional Accountants* published by the *International Ethics Standards Board for Accountants*, which are based on the fundamental principles of integrity, objectivity, competence and professional diligence, confidentiality and professional behaviour. Our audit firm adopts *International Standard on Quality Control 1 (ISQC Italy 1)* and, accordingly, maintains an overall quality control system which includes processes and procedures for compliance with ethical and professional principles and with applicable laws and regulations.

Auditor's responsibilities

We are responsible for expressing a conclusion, on the basis of the work performed, regarding the compliance of the NFS with the Decree and with the GRI Standards. We conducted our engagement in accordance with "*International Standard on Assurance Engagements ISAE 3000* (Revised) – *Assurance Engagements Other than Audits or Reviews of Historical Financial Information"* (hereafter "ISAE 3000 Revised"), issued by the *International Auditing and Assurance Standards Board* (IAASB) for limited assurance engagements. The standard requires that we plan and apply procedures in order to obtain limited assurance that the NFS is free of material misstatement. The procedures performed in a limited assurance engagement are less in scope than those performed in a reasonable assurance engagement in accordance with ISAE 3000 Revised ("*reasonable assurance engagement*") and, therefore, do not provide us with a sufficient level of assurance that we have become aware of all significant facts and circumstances that might be identified in a reasonable assurance engagement.
The procedures performed on the NFS were based on our professional judgement and consisted in interviews, primarily with company personnel responsible for the preparation of the information presented in the NFS, analysis of documents, recalculations and other procedures designed to obtain evidence considered useful.

In particular, we performed the following procedures:

1. analysis of the relevant matters reported in the NFS relating to the activities and characteristics of the Group, in order to assess the reasonableness of the selection process used, in accordance with article 3 of the Decree and the with the reporting standards adopted;
2. analysis and assessment of the criteria used to identify the consolidation area, in order to assess their compliance with the Decree;
3. comparison of the financial information reported in the NFS with those reported in Piaggio Group's Consolidated Financial Statements;
4. understanding of the following matters:

   – business and organisational model of the Group, with reference to the management of the matters specified by article 3 of the Decree;
   – policies adopted by the Group with reference to the matters specified in article 3 of the Decree, actual results and related key performance indicators;
   – main risks, generated and/or faced by the Group, with reference to the matters specified in article 3 of the Decree.

   With reference to those matters, we compared the information obtained with the information presented in the NFS and carried out the procedures described under point 5 a) below;

2 of 3

5. understanding of the processes underlying the preparation, collection and management of the significant qualitative and quantitative information included in the NFS. In particular, we held meetings and interviews with the management of Piaggio & C. SpA and with the personnel of Piaggio Vehicles Private Ltd and we performed limited analysis of documentary evidence, to gather information about the processes and procedures for the collection, consolidation, processing and submission of the non-financial information to the function responsible for the preparation of the NFS.

Moreover, for material information, considering the activities and characteristics of the Group:

- at holding level (parent company and subsidiaries),

    a) with reference to the qualitative information included in the NFS, and in particular to the business model, the policies adopted and the main risks, we carried out interviews and acquired supporting documentation to verify their consistency with available evidence;
    b) with reference to quantitative information, we performed analytical procedures as well as limited tests, in order to assess, on a sample basis, the accuracy of consolidation of the information.

- for the following plants, Pontedera (Piaggio & C. SpA) and Baramati (Piaggio Vehicles Private Ltd, India), which were selected on the basis of their activities, their contribution to the performance indicators at a consolidated level and their location, we carried out site visits during which we met local management and gathered supporting documentation regarding the correct application of the procedures and calculation methods used for the key performance indicators.

Conclusions

Based on the work performed, nothing has come to our attention that causes us to believe that the NFS of Piaggio Group as of 31 December 2018 has not been prepared, in all material respects, in compliance with articles 3 and 4 of the Decree and with the GRI Standards.

Florence, 20 March 2019

PricewaterhouseCoopers SpA

Signed by	*Signed by*
Francesco Forzoni (Partner)	Paolo Bersani (Authorised signatory)

This report has been translated from the Italian original solely for the convenience of international readers.

PIAGGIO GROUP

CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

CONSOLIDATED INCOME STATEMENT

		2018		2017	
		TOTAL	of which related parties	TOTAL	of which related parties
NOTES	IN THOUSANDS OF EUROS				
4	Net revenues	1,389,546	2,772	1,342,450	1,777
5	Cost for materials	(838,270)	(20,026)	(791,068)	(23,508)
6	Cost for services and leases and rentals	(222,974)	(3,817)	(227,536)	(3,716)
7	Employee costs	(218,224)		(215,463)	
8	Depreciation and impairment costs of property, plant and equipment	(40,982)		(44,628)	
8	Amortisation and impairment costs of intangible assets	(68,005)		(75,370)	
9	Other operating income	114,014	423	106,428	395
10	Net reversals (impairment) of trade and other receivables	(2,212)		(2,781)	
11	Other operating costs	(20,115)	(97)	(19,703)	(16)
	Operating income	**92,778**		**72,329**	
12	Income/(loss) from investments	482	474	825	716
13	Financial income	7,775	17	1,303	21
13	Borrowing costs	(33,378)	(82)	(35,102)	(134)
13	Net exchange gains/(losses)	193		700	
	Profit before tax	**67,850**		**40,055**	
14	Taxes for the period	(31,775)	3,808	(20,071)	1,195
	Profit from continuing operations	**36,075**		**19,984**	
	Assets held for sale:				
15	Profits or losses arising from assets held for sale				
	Net Profit (loss) for the period	**36,075**		**19,984**	
	Attributable to:				
	Owners of the Parent	**36,075**		**19,984**	
	Non controlling interests	**0**		**0**	
16	**Earnings per share (figures in €)**	**0.101**		**0.056**	
16	**Diluted earnings per share (figures in €)**	**0.101**		**0.056**	

Note: The effects from adopting IFRS 15 and IFRS 9 are described in the section of the Notes "New accounting standards, amendments applicable from 1 January 2018".

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

NOTES	IN THOUSANDS OF EUROS	2018	2017
	Net Profit (Loss) for the period (A)	**36,075**	**19,984**
	Items that will not be reclassified in the income statement		
46	Remeasurements of defined benefit plans	(1,019)	1,274
	Total	**(1,019)**	**1,274**
	Items that may be reclassified in the income statement		
46	Profit (loss) deriving from the translation of financial statements of foreign companies denominated in foreign currency	(3,027)	(9,673)
46	Portion of components of the Statement of Comprehensive Income of subsidiaries/associates valued with the equity method	(88)	(609)
46	Total profits (losses) on cash flow hedges	206	68
	Total	**(2,909)**	**(10,214)**
	Other components of the Statement of Comprehensive Income (B)[31]	**(3,928)**	**(8,940)**
	Total Profit (loss) for the period (A + B)	**32,147**	**11,044**
	Attributable to:		
	Owners of the Parent	**32,122**	**10,975**
	Non controlling interests	**25**	**69**

31 Other Profits (and losses) take account of relative tax effects

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		AS OF 31 DECEMBER 2018		AS OF 31 DECEMBER 2017	
		TOTAL	of which related parties	TOTAL	of which related parties
NOTES	IN THOUSANDS OF EUROS				
	ASSETS				
	Non-current assets				
17	Intangible assets	658,888		648,977	
18	Property, plant and equipment	266,198		273,013	
19	Investment Property	10,269		11,523	
38	Investments	7,934		7,553	
39	Other financial assets	6,029		7,364	
24	Long-term tax receivables	17,399		19,913	
20	Deferred tax assets	59,250		58,601	
22	Trade receivables				
23	Other receivables	16,625	94	12,157	115
	Total non-current assets	**1,042,592**		**1,039,101**	
28	**Assets held for sale**				
	Current assets				
22	Trade receivables	86,557	1,264	83,995	2,150
23	Other receivables	33,507	15,262	26,916	10,029
24	Short-term tax receivables	7,368		11,106	
21	Inventories	224,108		218,622	
40	Other financial assets	2,805		2,321	
41	Cash and cash equivalents	188,740		128,067	
	Total current assets	**543,085**		**471,027**	
	Total assets	**1,585,677**		**1,510,128**	
	SHAREHOLDERS' EQUITY AND LIABILITIES				
	Shareholders' equity				
45	Share capital and reserves attributable to the owners of the Parent	392,163		385,296	
45	Share capital and reserves attributable to non-controlling interests	(211)		(236)	
	Total shareholders' equity	**391,952**		**385,060**	
	Non-current liabilities				
42	Financial liabilities falling due after one year	512,498		446,483	2,900
29	Trade payables				
30	Other long-term provisions	9,504		9,096	
31	Deferred tax liabilities	2,806		3,170	
32	Retirement funds and employee benefits	41,306		44,457	
33	Tax payables				
34	Other long-term payables	5,939		5,621	12
	Total non-current liabilities	**572,053**		**508,827**	
	Current liabilities				
42	Financial liabilities falling due within one year	113,502		137,780	
29	Trade payables	432,722	8,402	411,775	9,375
33	Tax payables	14,635		10,185	
34	Other short-term payables	48,220	6,725	46,424	7,863
30	Current portion of other long-term provisions	12,593		10,077	
	Total current liabilities	**621,672**		**616,241**	
	Total Shareholders' Equity and Liabilities	**1,585,677**		**1,510,128**	

Note: The effects from adopting IFRS 15 and IFRS 9 are described in the section of the Notes "New accounting standards, amendments applicable from 1 January 2018".

CONSOLIDATED STATEMENT OF CASH FLOWS

This statement shows the factors behind changes in cash and cash equivalents, net of short-term bank overdrafts, as required by IAS 7.

		2018		2017	
		TOTAL	of which related parties	TOTAL	of which related parties
NOTES	IN THOUSANDS OF EUROS				
	OPERATING ACTIVITIES				
	Net Profit (loss) for the period	36,075		19,984	
	Allocation of profit to non-controlling interests	0		0	
14	Taxes for the period	31,775		20,071	
8	Depreciation of property, plant and equipment	40,360		44,628	
8	Amortisation of intangible assets	65,574		71,145	
	Provisions for risks and retirement funds and employee benefits	18,540		18,850	
	Write-downs / (Reinstatements)	6,503		7,172	
	Losses / (Gains) on the disposal of property, plants and equipment	137		(558)	
13	Financial income	(7,775)		(1,222)	
12	Dividend income	(8)		(109)	
13	Borrowing costs	33,378		32,392	
	Income from public grants	(4,565)		(4,266)	
	Portion of earnings of affiliated companies	(474)		(716)	
	Change in working capital:				
22	(Increase)/Decrease in trade receivables	(4,388)	810	(10,900)	1,200
23	(Increase)/Decrease in other receivables	(11,429)	(5,212)	(2,441)	(1,258)
21	(Increase)/Decrease in inventories	(5,486)		(10,163)	
29	Increase/(Decrease) in trade payables	20,947	(973)	16,126	(560)
34	Increase/(Decrease) in other payables	2,114	(1,150)	(376)	561
30	Increase/(Decrease) in provisions for risks	(7,812)		(10,730)	
32	Increase/(Decrease) in retirement funds and employee benefits	(12,126)		(12,442)	
	Other changes	4,851		24,205	
	Cash generated from operating activities	**206,191**		**200,650**	
	Interest paid	(31,168)		(31,474)	
	Taxes paid	(26,974)		(19,058)	
	CASH FLOW FROM OPERATING ACTIVITIES (A)	**148,049**		**150,118**	
	INVESTMENT ACTIVITIES				
18	Investment in property, plant and equipment	(37,148)		(28,775)	
	Sale price, or repayment value, of property, plant and equipment	860		3,277	
17	Investment in intangible assets	(78,130)		(57,931)	
	Sale price, or repayment value, of intangible assets	72		62	
	Dividends received	8		109	
	Purchase of financial assets	(1)		0	
	Public grants collected	2,845		0	
	Collected interests	510		977	
	CASH FLOW FROM INVESTMENT ACTIVITIES (B)	**(110,984)**		**(82,281)**	
	FINANCING ACTIVITIES				
45	Purchase of treasury shares	(1,537)		0	
45	Outflow for dividends paid	(19,698)		(19,698)	
42	Loans received	166,148		73,925	
42	Outflow for repayment of loans	(120,343)		(174,823)	
42	Repayment of finance leases	(1,145)		(1,124)	
	CASH FLOW FROM FINANCING ACTIVITIES (C)	**23,425**		**(121,720)**	
	Increase / (Decrease) in cash and cash equivalents (A+B+C)	60,490		(53,883)	
	OPENING BALANCE	**127,894**		**191,400**	
	Exchange differences	2		(9,623)	
	CLOSING BALANCE	**188,386**		**127,894**	

CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY

Movements from 1 January 2018 / 31 December 2018

NOTES	IN THOUSANDS OF EUROS	SHARE CAPITAL	SHARE PREMIUM RESERVE	LEGAL RESERVE	RESERVE FOR MEASUREMENT OF FINANCIAL INSTRUMENTS	IAS TRANSITION RESERVE	GROUP TRANSLATION RESERVE	TREASURY SHARES	EARNINGS RESERVE	CONSOLIDATED GROUP SHAREHOLDERS' EQUITY	SHARE CAPITAL AND RESERVES ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	TOTAL SHAREHOLDERS' EQUITY
	As of 1 January 2018	**207,614**	**7,171**	**19,095**	**(320)**	**(11,505)**	**(24,467)**	**0**	**187,708**	**385,296**	**(236)**	**385,060**
	Profit for the period								36,075	36,075		36,075
46	Other components of the Statement of Comprehensive Income				206		(3,140)		(1,019)	(3,953)	25	(3,928)
	Total profit (loss) for the period	**0**	**0**	**0**	**206**	**0**	**(3,140)**	**0**	**35,056**	**32,122**	**25**	**32,147**
	Transactions with shareholders:											
45	Allocation of profits			1,030					(1,030)	0		0
45	Distribution of dividends								(19,698)	(19,698)		(19,698)
45	Adoption of IFRS 9					(4,020)				(4,020)		(4,020)
45	Purchase of treasury shares							(1,537)		(1,537)		(1,537)
	As of 31 December 2018	**207,614**	**7,171**	**20,125**	**(114)**	**(15,525)**	**(27,607)**	**(1,537)**	**202,036**	**392,163**	**(211)**	**391,952**

Movements from 1 January 2017 / 31 December 2017

NOTES	IN THOUSANDS OF EUROS	SHARE CAPITAL	SHARE PREMIUM RESERVE	LEGAL RESERVE	RESERVE FOR MEASUREMENT OF FINANCIAL INSTRUMENTS	IAS TRANSITION RESERVE	GROUP TRANSLATION RESERVE	TREASURY SHARES	EARNINGS RESERVE	CONSOLIDATED GROUP SHAREHOLDERS' EQUITY	SHARE CAPITAL AND RESERVES ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	TOTAL SHAREHOLDERS' EQUITY
	As of 1 January 2017	**207,614**	**7,171**	**18,395**	**(388)**	**(5,859)**	**(14,116)**	**(5,646)**	**186,848**	**394,019**	**(305)**	**393,714**
	Profit for the period								19,984	19,984		19,984
46	Other components of the Statement of Comprehensive Income				68		(10,351)		1,274	(9,009)	69	(8,940)
	Total profit (loss) for the period	**0**	**0**	**0**	**68**	**0**	**(10,351)**	**0**	**21,258**	**10,975**	**69**	**11,044**
	Transactions with shareholders:											
45	Allocation of profits			700					(700)	0		0
45	Distribution of dividends								(19,698)	(19,698)		(19,698)
45	Cancellation of treasury shares					(5,646)		5,646		0		0
	As of 31 December 2017	**207,614**	**7,171**	**19,095**	**(320)**	**(11,505)**	**(24,467)**	**0**	**187,708**	**385,296**	**(236)**	**385,060**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

A) GENERAL ASPECTS

Piaggio & C. S.p.A. (the Company) is a joint-stock company established in Italy at the Register of Companies of Pisa. The address of the registered office is Viale Rinaldo Piaggio 25 - Pontedera (Pisa). The main activities of the company and its subsidiaries are set out in the Report on Operations.
These Financial Statements are expressed in euros (€) since this is the currency in which most of the Group's transactions take place. Foreign operations are included in the consolidated financial statements according to the standards indicated in the notes below.

Scope of consolidation

As of 31 December 2018, the structure of the Piaggio Group was as indicated in the Report on Operations and is the structure referred to herein.
The scope of consolidation has changed compared to the Consolidated Financial Statements as of 31 December 2017 due to the liquidation of Fondo Immobiliare First Atlantic on 14 December 2018.

Compliance with international accounting standards

The Consolidated Financial Statements of the Piaggio Group as of 31 December 2018 have been drafted in compliance with the International Accounting Standards (IAS/IFRS) in force at that date, issued by the International Accounting Standards Board and approved by the European Commission, as well as in compliance with the provisions established in Article 9 of Legislative Decree no. 38/2005 (Consob Resolution no. 15519 dated July 27/7/06 containing the "Provisions for the presentation of financial statements", Consob Resolution no. 15520 dated July 27/7/06 containing the "Changes and additions to the Regulation on Issuers adopted by Resolution no. 11971/99", Consob communication no. 6064293 dated 28/7/06 July containing the "Corporate reporting required in accordance with Article 114, paragraph 5 of Legislative Decree no. 58/98"). The interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"), previously the Standing Interpretations Committee ("SIC"), were also taken into account.
Moreover, international accounting standards have been uniformly adopted for all Group companies.
The financial statements of subsidiaries, used for consolidation and for the joint venture consolidated using the equity method, have been appropriately modified and reclassified, where necessary, to bring them in line with the international accounting standards and classification criteria used by the Group on a consistent basis.

The Financial Statements have been prepared on a historical cost basis, amended as required for the measurement of investment property and some financial instruments, and on a going-concern basis. The Group did not identify any significant uncertainties (as of paragraph 25 of IAS 1) about its operations as a going concern, also in view of actions already established to meet changed levels of demand, and the Group's industrial and financial flexibility.
These Consolidated Financial Statements were audited by PricewaterhouseCoopers S.p.A..

Other information

A specific paragraph in this Report provides information on any significant events occurring after the end of the period and on the operating outlook.

1. FORM AND CONTENT OF THE FINANCIAL STATEMENTS

Form of the consolidated financial statements

The Group has chosen to highlight all changes generated by transactions with non-shareholders within two statements reporting trends of the period, respectively named the "Consolidated Income Statement" and "Consolidated Statement of Comprehensive Income". The Financial Statements are therefore composed of the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Consolidated Statement of Cash Flows and the Consolidated Statement of Changes in Consolidated Shareholders' Equity, and these notes.

Consolidated Income Statement

The Consolidated Income Statement is presented with the items classified by nature. The overall Operating Income is shown, which includes all income and cost items, irrespective of their repetition or fact of falling outside normal operations, except for the items of financial operations included under Operating Income and Profit before tax. In addition, the income and cost items arising from assets that are held for sale or to be discontinued, including any capital gains or losses net of the tax element, are recorded in a specific item preceding profit attributable to the owners of the parent and to non-controlling interests.

Consolidated Statement of Comprehensive Income

The Consolidated Statement of Comprehensive Income is presented in accordance with the provisions of IAS 1 amended. Items presented in "Other comprehensive income (expense)" are grouped based on whether they are potentially reclassifiable to profit or loss.

Consolidated Statement of Financial Position

The Consolidated Statement of Financial Position is presented in opposite sections with separate indication of assets, liabilities and shareholders' equity.
In turn, assets and liabilities are reported in the Consolidated Financial Statements on the basis of their classification as current and non-current.

Consolidated Statement of Cash Flows

The Consolidated Statement of Cash Flows is divided into cash-flow generating areas. The Statement of Cash Flows model adopted by the Piaggio Group has been prepared using the indirect method. The cash and cash equivalents recorded in the Consolidated Statement of Cash Flows include the Consolidated Statement of Financial Position balances for this item at the reporting date. Financial flows in foreign currency have been converted at the average exchange rate for the period. Income and costs related to interest, dividends received and income taxes are included in the cash flow generated from operations.

Statement of Changes in Consolidated Shareholders' Equity

The Statement of Changes in Consolidated Shareholders' Equity is presented as provided for in IAS 1 revised.
It includes the total statement of comprehensive income while separately reporting the amounts attributable to owners of the Parent company as well as the quota pertaining to non-controlling interests, the amounts of operations with shareholders acting in this capacity and potential effects of retrospective application or of the retroactive calculation pursuant to IAS 8. Reconciliation between the opening and closing balance of each item for the period is presented.

Contents of the Consolidated Financial Statements

The Consolidated Financial Statements of the Group Piaggio & C. include the Financial Statements of the Parent Company Piaggio & C. S.p.A. and Italian and foreign companies in which it has direct or indirect control, which are listed in the attachments.

As of 31 December 2018 subsidiaries and associates of Piaggio & C. S.p.A. were as follows:

COMPANIES:	SUBSIDIARIES			ASSOCIATES			TOTAL
	ITALY	ABROAD	TOTAL	ITALY	ABROAD	TOTAL	
- consolidated on a line-by-line basis	2	21	23				23
- consolidated with the equity method				2	3	5	5
Total companies	**2**	**21**	**23**	**2**	**3**	**5**	**28**

2. CONSOLIDATION PRINCIPLES AND EVALUATION CRITERIA

2.1 Principles of consolidation

Assets and liabilities, and income and costs, of consolidated companies are recognised on a global integration basis, eliminating the carrying amount of consolidated investments in relation to the relative shareholders' equity at the time of purchase or underwriting. The carrying amount of investments has been eliminated against the shareholders' equity of subsidiaries/associates, assigning to non-controlling interests under specific items the relative portion of shareholders' equity and relative net profit due for the period, in the case of subsidiaries consolidated on a line-by-line basis.

Subsidiaries

Subsidiaries are companies in which the Group exercises control. This control exists when the Group is exposed, or is entitled to receive variable returns from its involvement in the company and has the capacity to influence such variable returns through its power over the controlled company. The acquisition of subsidiaries is recognised according to the acquisition method. The cost of acquisition is determined by the sum of present values at the date control of the given assets was obtained, liabilities borne or undertaken and financial instruments issued by the Group in exchange for control of the acquired company.

In the case of acquisitions of companies, acquired and identifiable assets, liabilities and potential liabilities are recognised at the present value at the date of acquisition. The positive difference between the acquisition cost and the share of the Group at the fair value of said assets and liabilities is classified as goodwill and recognised in the financial statements as an intangible asset. Any negative difference ("negative goodwill") is recognised instead in profit or loss at the date of acquisition.

The financial statements of subsidiaries are included in the Consolidated Financial Statements starting from the date when control is acquired until control ceases.

The portions of shareholders' equity and income attributable to non-controlling interests are separately indicated in the Consolidated Statement of Financial Position and Consolidated Income Statement respectively.

Associates and joint arrangements

Associates are companies in which the Group has considerable influence but not control of financial and operational policies.

The Group adopts IFRS 11 for all joint arrangements. According to IFRS 11, investments in joint arrangements are classified as joint operations or joint ventures depending on the contractual obligations and rights of each investor. The Group has classified the only joint arrangement agreement in place as being a joint venture.

In adopting the equity method, the investment in an associate or joint venture is initially recognised at cost and the carrying amount is increased or decreased to recognise the portion attributable to the Group of profit or loss of the investee realised after the date of acquisition. The portion of profit (loss) for the period of the investee attributable to the Group is recognised separately in consolidated profit or loss. Dividends received from an investee reduce the carrying amount of the investment. Adjustments to the carrying amount of the investment are also due to changes in items of other comprehensive income of the investee (e.g. changes arising from translation differences of items in foreign currency). The portion of these changes, attributable to the Group, is recognised under other components of consolidated comprehensive income. If the portion of losses of an entity in a associate or joint venture is equal to or exceeds its interest in the associate or joint venture, the Group discontinues recognising its share of further losses. After the interest is reduced to zero, additional losses are recognised by a provision (liability) only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate, or joint venture. If the associate or joint venture subsequently reports profits, the Group resumes recognising its portion of those profits only after its portion of the profits equals the share of losses not recognised. Profit and losses arising from "upwards" or "downwards" transactions between a Group and a associate or joint venture are recognised in the consolidated financial statements only as regards the portion attributable to minority interest in the associate or joint venture. The portion of profit or loss of the associate or joint venture arising from these transactions, attributable to the Group, is eliminated in the consolidated income statement under "earnings from investments", with a counter entry of the asset's value, in "upwards" transactions, and of the value of the investment, in "downwards transactions".

Transactions eliminated during the consolidation process

In preparing the Consolidated Financial Statements, all balances and significant transactions between Group companies have been eliminated, as well as unrealised profits and losses arising from intergroup transactions. Unrealised profits and losses generated from transactions with associates or jointly controlled companies are eliminated based on the value of the investment of the Group in the companies.

Transactions in foreign currency

Transactions in foreign currency are recorded at the exchange rate in effect on the date of the transaction. Monetary assets and liabilities in foreign currency are translated at the exchange rate in effect at the reporting date.

Consolidation of foreign companies

The separate financial statements of each company belonging to the Group are prepared in the currency of the primary economic environment in which they operate (the functional currency). For the purposes of the Consolidated Financial Statements, the financial statements of each foreign entity are in euro, which is the functional currency of the Group and the presentation currency of the Consolidated Financial Statements.
All assets and liabilities of foreign companies in a currency other than the euro which come under the scope of consolidation are translated, using exchange rates in effect at the reporting date (currency exchange rates method). Income and costs are translated at the average exchange rate of the period. Translation differences arising from the application of this method, as well as translation differences arising from a comparison of initial shareholders' equity translated at current exchange rates and the same equity translated at historical rates, are recognised in the statement of comprehensive income and allocated to a specific reserve in shareholders' equity until disposal of the investment.
Average exchange rates for translating the cash flows of foreign subsidiaries are used in preparing the Consolidated Statement of Cash Flows.
The exchange rates used to translate the financial statements of companies included in the scope of consolidation into euros are shown in the table below.

CURRENCY	SPOT EXCHANGE RATE 31 DECEMBER 2018	AVERAGE EXCHANGE RATE 2018	SPOT EXCHANGE RATE 29 DECEMBER 2017	AVERAGE EXCHANGE RATE 2017
US Dollar	1.1450	1.18095	1.1993	1.12968
Pounds Sterling	0.89453	0.884706	0.88723	0.876674
Indian Rupee	79.7298	80.73324	76.6055	73.53242
Singapore Dollars	1.5591	1.59261	1.6024	1.55882
Chinese yuan	7.8751	7.80808	7.8044	7.62900
Croatian Kuna	7.4125	7.41816	7.4400	7.46370
Japanese Yen	125.85	130.39588	135.01	126.71118
Vietnamese Dong	26,230.56	26,984.72276	26,934.34	25,472.91202
Canadian Dollars	1.5605	1.52936	1.5039	1.46472
Indonesian Rupiah	16,565.86	16,802.30086	16,260.11	15,119.53357
Brazilian Real	4.4440	4.30849	3.9729	3.60543

2.2 Accounting policies

The most significant accounting policies adopted to prepare the Consolidated Financial Statements as of 31 December 2018 are outlined below.

Intangible assets

As provided for in IAS 38 - Intangible Assets, an intangible asset which is purchased or internally generated, is recognised as an asset only if it is identifiable, controllable and future economic benefits are expected and its cost may be measured reliably.
Intangible assets with a definite useful life are measured at acquisition cost or production cost net of amortisation

and accumulated impairment losses. Borrowing costs related to the acquisition, construction or production of certain assets that require a significant period of time before they are ready for use or sale (qualifying assets), are capitalised along with the asset.
Amortisation is referred to the expected useful life and commences when the asset is available for use.

Goodwill

In the case of acquisitions of companies, acquired and identifiable assets, liabilities and potential liabilities are recognised at the present value at the date of acquisition. The positive difference between the acquisition cost and the share of the Group at the fair value of said assets and liabilities is classified as goodwill and recognised in the financial statements as an intangible asset. Any negative difference ("negative goodwill") is recognised instead in profit or loss at the date of acquisition.
Goodwill is not amortised but tested annually for impairment, or more frequently if specific events or changed circumstances indicate that an asset may be impaired, as provided for in IAS 36 - Impairment of Assets.
After initial recognition, goodwill is recognised at cost net of any accumulated impairment losses.
At the disposal of part of or an entire company previously acquired from whose acquisition goodwill arose, the corresponding residual value of goodwill is considered when measuring the capital gain or loss of the disposal.

Development costs

Development costs of projects for the manufacture of vehicles and engines are recognised as assets only if all of the following conditions are met: the costs can be reliably measured and the technical feasibility of the product, the volumes and expected prices indicate that costs incurred during development will generate future economic benefits. Capitalised development costs include only costs incurred that may be directly attributed to the development process. Capitalised development costs are amortised on a systematic criterion basis, starting from the beginning of production through the estimated life of the product.
All other development costs are recognised in profit or loss when they are incurred.

Other intangible assets

As provided for in IAS 38 – Intangible Assets, other intangible assets which are purchased or internally generated are recognised as assets if it is probable that use of the asset will generate future economic benefits and the cost of the asset can be reliably measured.
These assets are recognised at acquisition or production cost and are amortised on a straight line basis over their estimated useful life, if they have a definite useful life.
Other intangible assets recognised following the acquisition of a company are accounted for separately from goodwill, if their fair value may be reliably measured.
The amortisation period for an intangible asset with a useful life is revised at least at the end of each reporting period. If the expected useful life of the asset differs from estimates previously made, the amortisation period is changed accordingly.
The amortisation periods of intangible assets are shown below:

Development costs	3-5 years
Industrial Patent and Intellectual Property Rights	3-5 years
Other	5 years
Trademarks	15 years
Licences	10 years

Property, plant and equipment

The Piaggio Group has decided to adopt the cost method on first-time application of the IAS/IFRS, as allowed by IFRS 1. For the measurement of property, plant and equipment, therefore, the preference was not to use the fair value method. Property, plant and equipment were booked at the purchase or production cost and were not revalued. Borrowing costs related to the acquisition, construction or production of certain assets that require a significant period of time before they are ready for use or sale (qualifying assets), are capitalised along with the asset.
Costs incurred after acquisition are capitalised only if they increase the future economic benefits of the asset they refer to. All other costs are recognised in profit or loss when they are incurred. Property, plant and equipment under construction are measured at cost and depreciated starting from the period in which they are put into operation.

Depreciation is determined, on a straight line basis, on the cost of the assets net of their relative residual values, based on their estimated useful life.
The depreciation periods of Plant, property and equipment are summarised below:

Land	Land is not depreciated
Buildings	33-60 years
Plant and machinery	5 -15 years
Equipment	4-20 years
Other assets	3-10 years

Profits and losses arising from the sale or disposal of assets are measured as the difference between the sale revenue and net carrying amount of the asset and are recognised in profit or loss for the period.

Lease contracts

Lease contracts for property, plant and machinery where the Group, as lessee, basically undertakes all risks and benefits of the property, are classified as finance leases. Finance leases are capitalised when the lease is established, at the fair value of the leased asset or, if less, at the current value of minimum payments due. The corresponding amount due to the lessor, net of borrowing costs, is recognised as a financial payable. The borrowing cost is recognised in profit or loss over the lease period, so as to produce an interest rate that is constant for the remaining amount due for each period. Property, plant and machinery of finance leases are depreciated during the useful life of the asset or the shorter of the useful life of the asset or the duration of the lease agreement, if there is no reasonable certainty that the Group will obtain the property at the end of the lease period.
Leases in which a significant part of the risks and benefits of ownership are not transferred to the Group as the lessor, are classified as operating leases. Payments made for operating leases (net of any incentives received from the lessee), are recognised in profit or loss on a straight-line basis for the duration of the lease agreement.
The Group has its own production plants even in countries where ownership rights are not allowed. In 2007, on the basis of clarification from IFRIC, the Group reclassified as receivables the rentals paid in advance to obtain the availability of land where its production sites are situated.

Impairment

At the end of the reporting period, the Group reviews the carrying amount of its tangible and intangible assets to determine whether there is any indication that these assets may be impaired (impairment test). If there is an indication that an asset may be impaired, the asset's recoverable amount is estimated to determine the amount of the write-down. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the asset's cash generating unit.
The recoverable amount is the higher of an asset's fair value less costs to sell (if available) and its value in use. In measuring the value in use, estimated future cash flows are discounted at their fair value, using a rate which reflects current market changes in the fair value of money and specific risks of the asset.
If the recoverable amount of an asset (or of a cash generating unit) is estimated to be lower than the relative carrying amount, the carrying amount of the asset is reduced to the lower recoverable value. An impairment loss is immediately recognised in profit or loss, unless the asset concerns land or property other than investment property recognised at revalued values. In said case, the loss is recorded in the relative revaluation reserve.
When the conditions that gave rise to an impairment loss no longer exist, the carrying amount of the asset (or of a cash generating unit), except for goodwill, is increased to the new value arising from an estimate of its recoverable amount, up to the net carrying amount applicable to the asset if no impairment loss had been recognised. The reversal of the impairment loss is immediately recognised in profit or loss.
An intangible asset with an indefinite useful life is tested annually for impairment, or more frequently if there is an indication that an asset may be impaired.

Investment Property

As permitted by IAS 40, non instrumental property and buildings held for rental and/or asset appreciation purposes are measured at fair value. Investment properties are eliminated from the financial statements when they are disposed of or when they may not be used over time and future economic benefits from their sales are not expected.

Transactions with affiliates and related parties

Transactions with affiliates and related parties are indicated in specific sections of the Report on Operations and Notes, referred to herein.

Non-current assets held for sale

Non-current assets (or disposal groups) that are classified as held for sale are measured at the lower of the carrying amount and fair value less costs to sell.
Non-current assets (and disposal groups) are classified as held for sale when it is expected that their carrying amount will be recovered through a sale rather than through their use in company operations. This condition is only met when the sale is highly probable, the asset (or disposal group) is available for immediate sale and management is committed to a plan to sell, which should take place within 12 months from the date in which this item was classified as held for sale.

Financial assets

IFRS 9 adopts a single approach to analysing and classifying all financial assets, including those containing embedded derivatives. Classification and relative measurement consider the business model of the financial asset and the contractual characteristics of cash flows that may be obtained from the asset. Depending on the characteristics of the instrument and business model adopted, the following three categories are determined:

(i) financial assets measured at amortised cost; (ii) financial assets measured at fair value, with the effects recognised in other comprehensive income (OCI); (iii) financial assets measured at fair value, with the effects recognised in profit or loss.

The financial asset is measured at amortised cost if both the following conditions are met:
- the business model holds the financial asset only to collect the relative cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that only represent the return on the financial asset.

According to the amortised cost method, the value of initial recognition is subsequently adjusted to take into account repayments of principal, any impairment and amortisation of the difference between the repayment value and value of initial recognition.
Amortisation is based on the internal effective interest rate that represents the rate which, at the time of initial recognition, makes the present value of expected cash flows equal to the value of initial recognition.
Receivables and other financial assets measured at amortised cost are presented in the statement of financial position net of the relative provision for write-downs.
Financial assets representing debt instruments whose business model covers the possibility of collecting contractual cash flows and realising capital gains from sale (the hold to collect and sell business model), are measured at fair value, recognising the effects in OCI.
In this case, changes in fair value of the instrument are recognised as shareholders' equity in OCI. The total of changes in fair value, recognised in a shareholders' equity reserve that includes OCI, is reversed to profit or loss when the instrument is deleted from the accounts. Interest expense is recognised in profit or loss using the effective interest rate, exchange differences and write-downs.

A financial asset representing a debt instrument that has not been measured at amortised cost or at fair value through other comprehensive income is measured at fair value with the effects recognised in profit or loss.

Inventories

Inventories are recognised as the lower of the purchase or production cost, determined by assigning to products the costs directly incurred in addition to the portion of indirect costs reasonably attributable to the performance of production activities in normal production capacity conditions and the market value at the end of the reporting period. The purchase or production cost is determined based on the weighted average cost method.
As regards raw materials and work in progress, the market value is represented by the estimated net realisable value of corresponding finished products minus completion costs. As regards finished products, the market value is represented by the estimated net realisable value (price lists minus the costs to sell and distribution costs).
The lower measurement based on market trends is eliminated in subsequent years, if the trends no longer exist.
Obsolete, slow moving and/or excess inventories are impaired in relation to their possible use or future realisation, in a provision for the write-down of inventories.

Receivables

Trade receivables and other receivables are initially recognised at fair value and subsequently recognised based on the amortised cost method, net of the provisions for write-downs.
IFRS 9 establishes a new model for the impairment/write-down of these assets, with the aim of providing useful information for financial statement users on relative expected losses. According to this model, the Group measures receivables on an expected loss basis, replacing the provisions in IAS 39 which typically measure receivables on an incurred loss basis. For trade receivables, the Group adopts a simplified approach which does not require the recognition of periodic changes in credit risk, but instead the recognition of an expected credit loss (ECL) calculated over the ECL lifetime. In particular, the policy adopted by the Group involves the stratification of trade receivables in categories based on past due days, defining the allocation based on the historical experience of credit losses, adjusted to take into account specific forecasts referred to creditors and the economic environment.
Trade receivables are wholly written down in the absence of a reasonable expectation of their recovery, or in the case of inactive counterparties.

The carrying amount of the asset is reduced through the use of a provision for write-downs and the amount of the loss is recognised in the income statement.

When payment of amounts due exceeds standard terms of payment granted to clients, the receivable is discounted.

Factoring

The Group sells a significant part of its trade receivables through factoring and in particular, sells trade receivables without recourse. Following these sales with the total and unconditional transfer to the transferee of the risks and benefits transferred, the receivables are eliminated from the financial statements.
In the case of transfers in which the risks and benefits are not transferred, the relative receivables remain in the statement of financial position until the transferred sum has been paid. In this case any advance payments collected by the factor are recognised under payables as amounts due to other lenders.

Cash and cash equivalents

Cash and cash equivalents includes cash on hand, current bank accounts, deposits payable on demand and other high liquidity short term financial investments, which are readily convertible into cash and not affected by any major risk of a change in value. This item does not include bank overdrafts payable on demand.

Treasury shares

Treasury shares are recognised as a reduction of shareholders' equity. The original cost of treasury shares and revenues arising from subsequent sales are recognised as movements of shareholders' equity.

Financial liabilities

Financial liabilities include financial payables, including amounts payable for advances on the sale of receivables, as well as other financial liabilities, including financial derivatives and liabilities for assets recognised regarding finance lease agreements.
Pursuant to IFRS 9, they include trade and other payables.
Financial liabilities are recognised at fair value net of additional transaction costs. After initial recognition, loans are measured at amortised cost, calculated using the effective interest rate. With the introduction of IFRS 9, in the event of the renegotiation of a financial liability that does not qualify as "extinction of the original debt", the difference between

i) the book value of the pre-change liability and ii) the present value of the cash flows of the revised debt, discounted at the original rate (IRR), is accounted for in the income statement.
Financial liabilities hedged by derivatives are recognised at present value, according to procedures established for hedge accounting: gains and losses arising from subsequent measurements at present value are recognised in profit or loss and are offset by the effective portion of the loss and again arising from subsequent measurements at present value of the hedging instrument. On initial recognition, a liability may be designated at fair value recognised in profit or loss when this eliminates or considerably reduces a lack of uniformity in the measurement or recognition (sometimes defined as "asymmetric accounting") that would otherwise arise from the measurement of an asset or liability or recognition of relative profit and loss on different bases. This fair value designation is exclusively applied to some financial liabilities in currency subject to exchange risk hedging.

Derivatives and measurement of hedging transactions

Group assets are primarily exposed to financial risks from changes in exchange and interest rates. The Group uses derivatives to hedge risks arising from changes in foreign currency and interest rates in particular irrevocable commitments and planned future transactions. The use of these instruments is regulated by written procedures on the use of derivatives, in line with risk management policies of the Group. As permitted by IFRS 9, the Group has opted to continue to adopt the provisions on hedge accounting in IAS 39, rather than in IFRS 9.
Derivatives are initially recognised at fair value, represented by the initial amount and aligned with the fair value at subsequent ends of reporting periods. Financial derivatives are used solely for hedging purposes, in order to reduce exchange risk, interest rate risk and the risk of changes in the market price. In line with IAS 39, financial derivatives may qualify for hedge accounting, only when the hedging instrument is formally designated and documented, is expected to be highly effective and this effectiveness can be reliably measured and is highly effective throughout the reporting periods for which it is designated. When financial instruments may be measured by hedge accounting, the following accounting treatment is adopted:

- Fair value hedge: if a financial derivative is designated as a hedge of the exposure to changes in present value of a recognised asset or liability, attributable to a particular risk and could affect profit or loss, the gain or loss from the subsequent change in present value of the hedging instrument is recognised in profit or loss. The gain or loss on the hedged item, attributable to the hedged risk, changes the carrying amount of the hedged item and is recognised in profit or loss;
- Cash flow hedge: if an instrument is designated as a hedge of the exposure to variability in cash flows of a recognised asset or liability or of a highly probable forecast transaction which could affect profit or loss, the effective portion of the gain or loss on the financial instrument is recognised in the Statement of Comprehensive Income. Accumulated gain or loss is reversed from the Statement of Comprehensive Income and recognised in profit or loss in the same period as the hedging transaction. The gain or loss associated with hedging or the part of hedging which is ineffective, is immediately recognised in profit or loss. If the hedging instrument or hedging ceases, but the transaction covered by hedging is not yet realised, profits and losses, recognised in equity, are instead recognised in profit or loss when the transaction takes place. If the transaction to be hedged is deemed no longer probable, gains or losses deferred in the Statement of Comprehensive Income are recognised immediately in profit or loss.

If hedge accounting cannot be applied, gains or losses from measurement at present value of the financial derivative are immediately recognised in profit or loss.

Long-term provisions

The Group recognises provisions for risks and charges when it has a legal or implicit obligation to third parties and it is likely that Group resources will have to be used to meet the obligation and when the amount of the obligation itself can be reliably estimated.
Changes in estimates are recognised in profit or loss when the change takes place.
If the effect is considerable, provisions are calculated discounting future cash flows estimated at a discount rate gross of taxes, to reflect current market changes in the fair value of money and specifics risks of the liability.

Retirement funds and employee benefits

Liabilities relative to employee benefits paid on or after termination of employment for defined benefit plans are determined separately for each plan, based on actuarial hypotheses estimating the amount of future benefits that employees will accrue at the reporting date (the "projected unit credit method"). Liabilities, recognised in the financial statements net of any assets serving the plan, are entered for the period when the right accrues. Liabilities are measured by independent actuaries.
The cost components of defined benefits are recognised as follows:
- the costs relative to services are recognised in the Income Statement under employee costs;
- net financial borrowing costs of liabilities or assets with defined benefits are recognised in the Income Statement as financial income/(borrowing costs), and are determined by multiplying the value of the net liability/(asset) by the rate used to discount the obligations, taking account of the payment of contributions and benefits during the period;
- the remeasurement components of net liabilities, which include actuarial gain and losses, the return on assets (excluding interest income recognised in the Income Statement) and any change in the limit of the assets, are immediately recognised as "Other comprehensive income (expense)". These components must not be reclassified to the Income Statement in a subsequent period.

Termination benefits

Termination benefits are recognised at the closest of the following dates: i) when the Group can no longer withdraw the offer of such benefits and ii) when the Group recognises the costs of restructuring.

Tax assets and liabilities

Deferred taxes are determined based on the temporary differences between the value of the asset and liability and their tax value. Deferred tax assets are measured only to the extent to which it is likely that adequate future taxable sums exist against which the deferred taxes can be used. The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent to which it is no longer likely that sufficient taxable income exists allowing for all or a portion of said assets to be recovered.
Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, considering the rates in effect or which are known to come into effect. Deferred taxes are directly recognised in profit or loss, except for items directly recognised in the statement of comprehensive income, in which case relative deferred taxes are also recognised in the statement of comprehensive income.
In the case of reserves of undistributed profits of subsidiaries and since the Group is able to control distribution times, deferred taxes are allocated for the reserves when distribution is expected in the future.
Deferred tax assets and liabilities are recognised at their net value when applied by the tax authorities and when they may be lawfully offset in the same tax jurisdiction.

Payables

Payables are recognised at fair value and then measured based on the amortised cost method.

Reverse factoring

To guarantee suppliers easier credit conditions, the Group has established factoring agreements, and typically supply chain financing or reverse factoring agreements. Based on the agreements, suppliers may, at their discretion, transfer receivables due from the Group to a lender and collect amounts before maturity.
In some cases, payment terms are extended further in agreements between the supplier and the Group; these extensions may be interest or non-interest bearing.
The Group has established a specific policy to assess the nature of reverse factoring operations. Based on the content of agreements, which differs by area of origin, the Finance function, at a central level, analyses the clauses of agreements in qualitative terms, as well as legal aspects in order to assess regulatory references and the type of transaction assignment (as provided for by IFRS 9 B3 3.1). In some cases, as payment terms have been extended, quantitative analysis is carried out to verify the materiality of changes in contract terms, based on quantitative tests as required by IFRS 9 B3.3.6.
In this context, relations, for which a primary obligation with the supplier is maintained and any deferment, if granted, does not significantly change payment terms, are still classified as trade liabilities.

Recognition of revenues

Based on the five-step model introduced by IFRS 15, the Group measures revenues after identifying the contracts with its customers and relative performance to provide (transfer of goods and/or services), after determining the transaction price it considers due in exchange for performance, and evaluating the procedure for satisfying the performance (performance at a given time versus performance over time).
In particular, the Group measures revenues only if the following requirements have been met (requirements to identify the "contract" with the customer):

a. the contract has been approved by the parties to the contract (in writing, verbally or in compliance with other standard business practices) and the parties undertake to meet their respective obligations; an agreement therefore exists between the parties that establishes the rights and obligations to be met, regardless of the form by which the agreement is made;
b. the Group can identify each party's rights in relation to the goods or services to be transferred;
c. the Group can identify the payment terms for the goods or services to be transferred;
d. the contract has commercial substance; and
e. it is probable that the Group will receive the consideration to which it is entitled in exchange for the goods or services that will be transferred to the customer.

If the above requirements are not met, the relative revenues are recognised when: (i) the Group has already transferred control of the goods and/or provided the services to the customer and all or nearly all of the consideration from the customer has been received and cannot be reimbursed; or (ii) the contract has ended and the consideration received by the Group from the customer cannot be reimbursed.

If the above requirements are instead met, the Group adopts the following rules for recognition.
Revenues for the sale of vehicles and spare parts are recognised when control of the good is transferred to the purchaser, or when the customer can use in full the good or substantially benefit from it.

Revenues are represented net of discounts, including, among others, sales incentive programmes and bonuses to customers, as well as taxes directly connected with the sale of the goods.
Revenues from the provision of services are recognised when the services are provided based on their progress.
Revenues also include lease payments recognised on a straight line basis for the duration of the contract.

Public grants

Set-up grants are recognised in the financial statements when their payment is certain and are recognised in profit or loss based on the useful life of the asset for which the grants have been provided.
Operating grants are recognised in the financial statements, when their payment is certain and are recognised in profit or loss in relation to costs for which the grants have been provided.

Financial income

Financial income is recognised on an accrual basis and includes interest payable on invested funds, exchange differences receivable and income from financial instruments, when not offset in hedging transactions. Interest receivable is recognised in profit or loss when it matures, considering the actual return.

Borrowing costs

Borrowing costs are recognised on an accrual basis and and include interest payable on financial payables calculated using the effective interest rate method, exchange differences payable and losses on derivative financial instruments. The rate of interest payable of finance lease payments is recognised in profit or loss, using the effective interest rate method.

Dividends

Dividends recognised in profit or loss, from non-controlling interests, are recognised on an accrual basis, and therefore at the time when, following the resolution to distribute dividends by the subsidiary, the relative right to payment arises.

Income tax

Taxes represent the sum of current and deferred tax assets and liabilities.
Taxes allocated under accounting circumstances of individual companies included in the scope of consolidation are recognised in the consolidated financial statements, based on taxable income estimated in compliance with national laws in force at the end of the reporting period, considering applicable exemptions and tax receivables owing. Income taxes are recognised in the income statement, with the exception of those taxes relative to items directly deducted from or charged to the statement of comprehensive income.
Taxes are recorded under "Tax payables" net of advances and withheld taxes. Taxes due in the event of the distribution of reserves as withheld taxes recognised in the financial statements of individual Group companies are not allocated, as their distribution is not planned.
In 2016, for a further three years, the Parent Company signed up to the National Consolidated Tax Convention pursuant to articles 117 to 129 of the Consolidated Income Tax Act (T.U.I.R.) of which IMMSI S.p.A. is the consolidating company, and to whom other IMMSI Group companies report. The consolidating company determines a single global income equal to the algebraic sum of taxable amounts (income or loss) realised by individual companies that opt for this type of group taxation.
The consolidating company recognises a receivable from the consolidated company which is equal to the corporate tax to be paid on the taxable income transferred by the latter. Whereas, in the case of companies reporting tax losses, the consolidating company recognises a payable related to corporate tax on the portion of loss actually used to determine global overall income, or calculated as a decrease of overall income for subsequent tax periods, according to the procedures in article 84, based on the criterion established by the consolidation agreement.

Earnings per share

Basic earnings per share are calculated dividing the profit or loss attributable to shareholders of the Parent Company by the weighted average of ordinary shares in circulation during the period. Diluted earnings per share are calculated dividing the profit or loss attributable to shareholders of the Parent Company by the weighted average of ordinary shares in circulation adjusted to take account of the effects of all potential ordinary shares with a dilutive effect. Any shares related to the stock option plan are considered as shares that may be potentially issued. The adjustment to make to the number of stock options to calculate the number of adjusted shares is determined by multiplying the number of stock options by the subscription cost and dividing it by the share market price.

Use of estimates

The preparation of the financial statements and notes in compliance with IFRS requires management to make estimates and assumptions which have an impact on the values of assets and liabilities and on disclosure regarding contingent assets and liabilities at the end of the reporting period. Actual results could differ from estimates. Estimates are used to measure intangible assets tested for impairment (see § Impairment losses) and to identify provisions for bad debts, for obsolete inventories, amortisation and depreciation, impairment of assets, employee benefits, taxes, restructuring provisions and other allocations and funds. Estimates and assumptions are periodically revised and the effects of any change are immediately recognised in profit or loss.
In the current world economic and financial crisis, assumptions made as to future trends are marked by a considerable degree of uncertainty. Therefore the possibility in the next reporting period of results that differ from estimates cannot be ruled out, and these could require even significant adjustments which at present cannot be predicted or estimated.

The critical measurement processes and key assumptions used by the Group in adopting IFRS and that may have a significant impact on figures in the Consolidated Financial Statements or for which a risk exists that significant differences in value may arise in relation to the carrying amount of assets and liabilities in the future are summarised below.

<u>Recoverable value of non-current assets</u>

Non-current assets include Property, Plant and Equipment, Goodwill, Other Intangible Assets, Investment Property, Investments and Other Financial Assets. The Group periodically revises the carrying amount of non-current assets held and used and of assets held for sale, when facts and circumstances make this necessary. This analysis is carried out at least annually for Goodwill, and whenever facts and circumstances make it necessary. Analysis of the recoverability of the carrying amount of Goodwill is generally based on estimates of expected cash flows from the use or sale of the asset and adequate discount rates to calculate the fair value. For investment property, the Group appoints an independent expert at the end of each reporting period (six-monthly or annually) to measure the "Fair value less cost of disposal" based on a market approach. When the carrying amount of a non-current asset is impaired, the Group recognises a write-down equal to the excess between the carrying amount of the asset and its recoverable value through use or sale, determined with reference to cash flows of the most recent company plans.

Recoverability of deferred tax assets

The Group has deferred tax assets from deductible temporary differences and theoretical tax benefits from losses to be carried forward. In estimating recoverable value, the Group considered the results of the company plan in line with the results used for impairment testing. Net deferred tax assets allocated on this basis refer to temporary differences and tax losses which, to a significant extent, may be recovered over an indefinite period, and are therefore compatible with a context in which an end to current difficulties and uncertainties and an upswing in the economy could take longer than the time frame of the above-mentioned estimates. As regards Piaggio & C. SpA, which is party to the IMMSI Group National Consolidated Tax Convention, the recovery of deferred tax assets is related to results forecast for the company, and also to the taxable amounts of companies which are part of the IMMSI Group National Consolidated Tax Convention.

Pension schemes and other post-employment benefits

Provisions for employee benefits and net borrowing costs are measured using an actuarial method that requires the use of estimates and assumptions to determine the net value of the obligation. The actuarial method considers financial parameters such as the discount rate and growth rates of salaries and considers the likelihood of potential future events occurring on the basis of demographic parameters such as relative mortality rates and employee resignations or retirements. The assumptions used for the measurement are explained in section 32 “Retirement funds and employee benefits”.

Provisions for bad debts

The provision for bad debts reflects management's estimate of expected losses related to receivables. The Group adopts the simplified approach of IFRS 9 and recognises expected losses for all trade receivables based on the residual duration, defining the allocation based on the historical experience of credit losses, adjusted to take into account specific forecasts referred to creditors and the economic environment (Expected Credit Loss – ECL concept).

Provision for obsolete inventories

The provision for obsolete inventories reflects management's estimate of impairment losses expected by the Group, determined based on past experience. Anomalous market price trends could have an effect on future inventory write-downs.

Provision for product warranties

At the time of a product's sale, the Group makes provisions relative to estimated costs for the product warranty. This provision is estimated based on historical information about the nature, frequency and average cost of warranty jobs.

Potential liabilities

The Group recognises a liability for ongoing legal disputes when it considers a financial outflow likely and when the amount of the losses arising therefrom may be reasonably estimated. If a financial outflow is possible, but the amount cannot be determined, it is recorded in the notes to the Financial Statements. The Group is subject to legal and tax proceedings concerning complex and difficult legal issues, of varying degrees of uncertainty, including facts and circumstances relative to each case, jurisdiction and different applicable laws. Given the uncertainties concerning these issues, it is hard to predict with certainty the outflow arising from these disputes and it is therefore possible that the value of provisions for legal proceedings and disputes of the Group may vary as a result of future developments in proceedings underway.
The Group monitors the status of ongoing proceedings and consults its legal and tax advisers.

Amortisation and Depreciation

The cost of assets is amortised/depreciated on a straight line basis over their estimated useful life. The economic useful life of Group assets is determined by Directors at the time of purchase; the calculation is based on historical experience gained in years of operations and on knowledge of technological innovations that may make the asset obsolete and no longer economical.
The Group periodically evaluates technological and segment changes, in order to update the remaining useful life. This periodic updating could change the amortisation/depreciation period and therefore amortisation/depreciation charges of future years.

Income tax

The Group is subject to different income tax laws in various jurisdictions. Group tax liabilities are determined based on management valuations referred to transactions of which the tax effect is not certain at the end of the reporting period. The Group recognises the liabilities that could arise from future inspections of tax authorities based on an estimate of taxes that will be due. If the outcome of inspections differs from management's estimates, significant effects on current and deferred taxes could arise.

Rounding off

All amounts in the tables and in these notes have been rounded off to thousands of euros.

New accounting standards, amendments and interpretations applied as from 1 January 2018

As from 1 January 2018, some changes have been made to national and international accounting standards and interpretations, without any significant effect on the Group's Financial Statements. The main changes are outlined below:

IFRS 15 "Revenue from Contracts with Customers"

The new standard is applicable retrospectively for years commencing on or after 1 January 2018. IFRS 15 sets out the requirements for recognising revenues, introducing an approach whereby revenue is only recognised if contractual obligations have been met in full. According to the standard, revenue is recognised based on the following five steps:
- identify the contract;
- identify individual obligations;
- determine the transaction price;
- allocate the transaction price to individual obligations based on their "market prices" ("stand-alone selling price");
- recognise revenue allocated to the individual obligation when it is regulated, i.e. when the customer acquires control of the goods and/or services.

The Group has carried out in-depth analysis of the different types of contracts relative to the sale of two-/three- and four-wheeler vehicles, spare parts, accessories and components to dealers, importers or direct customers that represent the most significant component, as well as types of contract with less economic impact (for example royalties). Following this analysis, the Group concluded that there is no significant impact arising from the adoption of the new standard, as the most significant component of revenue will continue to be recognised in line with previous accounting guidelines.
Revenues from the sale of two-/three- and four-wheeler vehicles, spare parts, accessories and components are recognised when control is transferred and when the Group meets its obligation transferring the promised asset to the customer.
One exception is a number of scheduled maintenance schemes and extended warranties that go beyond the statutory period (sold together with the vehicle) which, according to the new standard, constitute separate performance bonds and, as such, must now be identified and accounted for separately from the vehicle revenue. To date, these scheduled maintenance plans / extended warranties have, however, been limited in number and mainly provided in the Vietnamese market.
Other differences in approach refer to different ways of representing revenues, without however impacting results, and refer to a different approach to classifying some types of bonuses paid to dealers, consumer financing plans, procedures for representing funds returned by customers (only applicable for the US market in which there is a legal obligation to buy back the vehicle from dealers on the occurrence of certain conditions).
The Group has adopted IFRS 15 and all related amendments retrospectively, without amending 2017 financial statement data which are presented for comparison, but instead indicating the effects on various items of the 2018 financial statement items if the standard had not been adopted.

The effects of adopting IFRS 15 on the consolidated income statement for 2018 are summarised in the following table:

IN THOUSANDS OF EUROS	2018 PUBLISHED	RECLASSIFICATIONS	2018 WITHOUT THE ADOPTION OF IFRS 15
Net revenues	1,389,546	10,939	1,400,485
Cost for materials	(838,270)	(3,132)	(841,402)
Costs for services	(222,974)	(7,611)	(230,585)
Other operating costs	(20,115)	(196)	(20,311)
Operating income	**92,778**	**0**	**92,778**

IFRS 9 "Financial Instruments"

The new provisions of IFRS 9: (i) amend the model that classifies and measures financial assets; (ii) introduce a new method for writing down financial assets, that takes account of expected credit losses; (iii) amend hedge accounting provisions and (iv) establish new criteria for the recognition of transactions amending financial liabilities. The provisions of IFRS 9 will be applicable for years commencing on or after 1 January 2018. Early application was allowed.

The Group has adopted IFRS 9 and all related amendments, applying the modified retrospective method, without changing 2017 financial statement data, which are presented for comparative purposes; instead it provides evidence of the impact on the financial statements of the previous year, if the above standard had already been adopted and with effects recognised in shareholders' equity as of 1 January 2018.

Classification and measurement

With reference to the classification and measurement of financial assets, the Group adopts the following business models:
- a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets (the "hold to collect and sell" business model);
- a business model whose objective is to hold financial assets intended for collecting contractual cash flows (the "hold to collect" business model).

For both types, the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.
Financial assets held by the group are recognised:
- at amortised cost in the case of financial assets relative to the "hold to collect" business model;
- at fair value recognised in other comprehensive income in the case of financial assets relative to the "hold to collect and sell" business model.

Impairment of financial assets

As regards the introduction of the new procedure for the impairment of financial assets, the Group revised its method used as from 1 January 2018 to determine the provision to recognise to hedge losses on receivables, taking into account expected losses, as provided for by the new standard, without identifying any significant impact on net income (loss) for the year or on shareholders' equity arising from the adoption of IFRS 9.
The Group measures the provision to hedge losses for an amount equal to full lifetime expected credit losses, using a method that considers whether, at the end of the reporting period, the credit risk relative to a financial instrument has increased considerably after initial recognition or otherwise.
For trade receivables, the Group adopts the simplified approach permitted by the new standard, measuring the provision to hedge losses for an amount equal to full lifetime expected credit losses.
Lastly, IFRS 9 has amended IAS 1 (82 ba) requiring the separate recognition of impairment losses (including reversals of impairment losses and impairment gains) in profit or loss.

Hedge accounting

The Group has opted for a policy choice which allows it to adopt the provisions in IAS 39 for hedge accounting. The new requirements of IFRS 9 have therefore been deferred to a time when the macro-hedging project will be complete.

New criteria for the recognition of transactions amending financial liabilities

With the introduction of IFRS 9, in the event of the renegotiation of a financial liability that does not qualify as "extinction of the original debt", the difference between i) the book value of the pre-change liability and ii) the present value of the cash flows of the revised debt, discounted at the original rate (IRR), is accounted for in the income statement. The Group has examined the liability management operations conducted in previous years. The effects deriving from the adoption of IFRS 9 are summarised in the following table:

	2017 FINANCIAL STATEMENTS	EFFECT OF IFRS 9	OPENING BALANCE 1 JANUARY 2018
IN THOUSANDS OF EUROS			
Assets			
Deferred tax assets	58,601	1,269	59,870
Total assets		**1,269**	
Liabilities			
Shareholders' equity	385,060	(4,020)	381,040
Financial liabilities	584,263	5,526	589,789
Other payables	52,045	(237)	51,808
Total liabilities		**1,269**	

Amendment to IFRS 2 "Share-based Payment"

The amendments clarify how some share-based payments are recognised.

Amendment to IAS 40 – "Investment Property"

These amendments clarify change in use, which is a necessary condition for transfer from/to Investment Property.

Series of annual amendments to IFRS 2014-2016

The main amendment concerns IAS 28 "Investments in Associates and Joint Ventures".
The amendments clarify, correct or remove redundant wording in the related IFRS and did not have a material impact on the Financial Statements or on disclosure.

Interpretation IFRIC 22

The amendment addresses the exchange rate to use in transactions that involve also advance consideration paid or received in a foreign currency.

Accounting standards amendments and interpretations not yet adopted

In the month of January 2016, the IASB published IFRS 16 "Leases". This new standard will replace the current IAS 17. The main change concerns the accounting of lease agreements by lessees that, according to IAS 17, were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). With IFRS 16, operating leases will be treated for accounting purposes as finance leases. According to the new standard, an asset (the right to use the leased item) and a financial liability to pay for rent are recognised. The IASB has provided for the optional exemption for certain leasing contracts and low value and short-term leases.
This standard will apply from 1 January 2019. Early application was possible if IFRS 15 "Revenue from contracts with customers" was jointly adopted.
The Group has carried out in-depth analysis on all lease agreements in effect as of 31 December 2018, in view of new accounting arrangements for leases established in IFRS 16. The standard will mainly have an effect on the recognition of the Group's operating leases.
At the end of the reporting period, the Group had operating lease commitments which could not be cancelled for € 29 million, as indicated in section 50 Contract commitments and guarantees. Of these commitments, approximately € 1 million refers to short-term lease agreements, € 1 million to lease agreements of modest value that will be recognised on a straight-line basis as lease and rental costs and € 5 million refer to services agreements for which IFRS 16 is not applicable. For remaining lease commitments, the Group recognised assets for lease and rental costs amounting to approximately €21 million at 1 January 2019, and lease liabilities for €21 million.

Based on ongoing agreements, the Group expects profit before tax to decrease by approximately €0.3 million for 2019, following the adoption of the new versions of the standards, which require costs to be recognised no longer on a straight line basis as lease and rental costs, but instead as (constant) amortisation and as borrowing costs (which are variable depending on the debt). EBITDA is expected to increase by approximately €6 million, as the amortisation of assets and interest in lease rights are excluded.
Operating cash flows will go up by approximately €6 million, while cash flows from financing activities will go down by approximately €6 million, as the reimbursement of the capital portion of lease liabilities will be classified as cash flow from financing activities.
Assets of the Group in a capacity as lessor are not significant and therefore the Group does not expect considerable effects on the financial statements.
The Group will adopt the standard from the mandatory date of 1 January 2019, using the simplified transition approach and will not amend comparative figures of the year prior to first-time adoption. Assets recognised for lease and rental costs will be measured for the amount of the lease debt at the time of adoption.

Accounting standards amendments and interpretations not yet applicable

At the date of these Financial Statements, competent bodies of the European Union had not completed the approval process necessary for the application of the following accounting standards and amendments:

- In May 2017, the IASB issued the new standard IFRS 17 – Insurance Contracts. The new standard will replace IFRS 4 and will be effective from 1 January 2021.
- In June 2017 the IASB published interpretation IFRIC 23 "Uncertainty over Income Tax Treatments" which provides information on how to account for uncertainties over the tax treatment of a given phenomenon in the recognition of income taxes. IFRIC 23 will be effective from 1 January 2019.
- In October 2017, the IASB published some amendments to IAS 28 providing clarifications on affiliated companies or joint ventures to whom the equity method is not applied, based on IFRS 9. These amendments will apply from 1 January 2019 (approved on 8 February 2019).
- In December 2017, the IASB published its annual improvements to IFRS 2015–2017 (IFRS 3, IFRS 11, IAS 12 and IAS 23) that will be valid starting from 1 January 2019.
- In February 2018, the IASB published some amendments to IAS 19, that will require companies to revise assumptions for determining the cost and borrowing costs at each change of the plan. These amendments will apply from 1 January 2019.
- In October 2018, the IASB published some amendments to IAS 1 and IAS 8 that provide clarifications on the definition of "materiality". These amendments will apply from 1 January 2020.
- In October 2018, the IASB published some amendments to IFRS 3 that amend the definition of "business". These amendments will apply from 1 January 2020.

The Group will adopt these new standards, amendments and interpretations, based on the application date indicated, and will evaluate potential impact, when the standards, amendments and interpretations are endorsed by the European Union.

B) SEGMENT REPORTING

3. Operating segment reporting

The organisational structure of the Group is based on 3 Geographic Segments, involved in the production and sale of vehicles, relative spare parts and assistance in areas under their responsibility: EMEA and the Americas, India and Asia Pacific 2W. Operating segments are identified by management, in line with the management and control model used.
In particular, the structure of disclosure corresponds to the structure of periodic reporting analysed by the Chairman and Chief Executive Officer for business management purposes.
Each Geographic Segment has production sites and a sales network dedicated to customers in the relative segment. Specifically:

- EMEA and the Americas have production sites and deal with the distribution and sale of two-wheeler and commercial vehicles;
- India has production sites and deals with the distribution and sale of two-wheeler and commercial vehicles;
- Asia Pacific 2W has production sites and deals with the distribution and sale of two-wheeler vehicles.

Central structures and development activities currently dealt with by EMEA and the Americas, are handled by individual segments.

INCOME STATEMENT/ NET CAPITAL EMPLOYED BY OPERATING SEGMENT

		EMEA AND AMERICAS	INDIA	ASIA PACIFIC 2W	TOTAL
Sales volumes (unit/000)	2018	235.4	282.5	85.7	603.6
	2017	245.9	228.7	78.2	552.8
	Change	(10.5)	53.8	7.6	50.9
	Change %	-4.3%	23.5%	9.7%	9.2%
Turnover (in millions of Euros)	2018	797.4	410.8	181.4	1,389.5
	2017	810.7	355.9	175.8	1,342.4
	Change	(13.3)	54.8	5.5	47.1
	Change %	-1.6%	15.4%	3.1%	3.5%
Gross margin (millions of Euros)	2018	242.4	110.8	70.4	423.6
	2017	250.2	95.3	65.8	411.3
	Change	(7.9)	15.5	4.6	12.2
	Change %	-3.1%	16.2%	7.0%	3.0%
EBITDA (millions of Euros)	2018				201.8
	2017				192.3
	Change				9.4
	Change %				4.9%
EBIT (millions of Euros)	2018				92.8
	2017				72.3
	Change				20.4
	Change %				28.3%
Net profit (millions of Euros)	2018				36.1
	2017				20.0
	Change				16.1
	Change %				80.5%
Capital employed (millions of Euros)	2018	556.0	129.7	135.4	821.2
	2017	562.3	129.7	139.7	831.8
	Change	(6.3)	0.0	(4.3)	(10.6)
	Change %	-1.1%	0.0%	-3.1%	-1.3%
Of which receivable (millions of Euros)	2018	928.3	267.8	187.9	1,384.0
	2017	926.8	257.8	185.5	1,370.1
	Change	1.5	10.0	2.4	13.9
	Change %	0.2%	3.9%	1.3%	1.0%
Of which payable (millions of Euros)	2018	372.3	138.1	52.4	562.8
	2017	364.5	128.1	45.8	538.4
	Change	7.8	10.0	6.6	24.4
	Change %	2.1%	7.8%	14.5%	4.5%

C) INFORMATION ON THE CONSOLIDATED INCOME STATEMENT

4. Net revenues €/000 1,389,546

Revenues are shown net of premiums recognised to customers (dealers).
This item does not include transport costs, which are recharged to customers (€/000 24,639) and invoiced advertising cost recoveries (€/000 3,633), which are posted under other operating income.
The revenues for disposals of Group core business assets essentially refer to the marketing of vehicles and spare parts on European and non-European markets.

Revenues by geographic segment
The breakdown of revenues by geographic segment is shown in the following table:

IN THOUSANDS OF EUROS	2018		2017		CHANGES	
	AMOUNT	%	AMOUNT	%	AMOUNT	%
EMEA and Americas	797,413	57.4	810,669	60.4	(13,256)	-1.6
India	410,758	29.6	355,945	26.5	54,813	15.4
Asia Pacific 2W	181,375	13.0	175,836	13.1	5,539	3.2
Total	**1,389,546**	**100.0**	**1,342,450**	**100.0**	**47,096**	**3.5**

In 2018, net sales revenues went up by 3.5% compared to the previous year. For a more detailed analysis of trends in individual geographic segments, see comments in the Report on Operations.

5. Costs for materials €/000 (838,270)

The percentage of costs accounting for net sales went up, from 58.9% in 2017 to 60.3% in the current period. The item includes €/000 20,026 (€/000 23,508 in 2017) for purchases of scooters from the Chinese subsidiary Zongshen Piaggio Foshan Motorcycle Co. Ltd., that are sold on European and Asian markets.

The following table details the content of this item:

IN THOUSANDS OF EUROS	2018	2017	CHANGE
Raw, ancillary materials, consumables and goods	(843,357)	(806,820)	(36,537)
Change in inventories of raw, ancillary materials, consumables and goods	8,394	7,517	877
Change in work in progress of semifinished and finished products	(3,307)	8,235	(11,542)
Total	**(838,270)**	**(791,068)**	**(47,202)**

6. Costs for services and leases and rental costs €/000 (222,974)

Below is a breakdown of this item:

IN THOUSANDS OF EUROS	2018	2017	CHANGE
Employee costs	(15,932)	(15,899)	(33)
External maintenance and cleaning costs	(8,007)	(8,110)	103
Energy and telephone costs	(14,874)	(14,196)	(678)
Postal expenses	(649)	(710)	61
Commissions payable	(579)	(527)	(52)
Advertising and promotion	(39,920)	(34,929)	(4,991)
Technical, legal and tax consultancy and services	(18,540)	(16,820)	(1,720)
Company boards operating costs	(2,631)	(2,546)	(85)
Insurance	(3,958)	(3,780)	(178)
Insurance from related parties	(35)	(35)	0
Outsourced manufacturing	(18,118)	(20,700)	2,582
Outsourced services	(14,261)	(14,141)	(120)
Transport costs (vehicles and spare parts)	(35,605)	(34,825)	(780)
Sundry commercial expenses	(7,937)	(10,132)	2,195
Expenses for public relations	(2,746)	(2,640)	(106)
Product warranty costs	(1,356)	(8,042)	6,686
Quality-related events	(3,663)	(3,165)	(498)
Bank costs and factoring charges	(5,163)	(5,516)	353
Other services	(9,415)	(11,369)	1,954
Services from related parties	(2,134)	(2,070)	(64)
Lease and rental costs	(15,803)	(15,773)	(30)
Costs for leases and rentals of related parties	(1,648)	(1,611)	(37)
Total costs for services, leases and rental costs	**(222,974)**	**(227,536)**	**4,562**

The adoption of the new version of IFRS 15, as regards spare parts supplied to the network for activities under warranty, resulted in the non-recognition of the relative revenue and direct reduction of warranty costs.
In 2018, the Group reduced costs for services, leases and rentals by €/000 4,562.
The item "Other" includes costs for temporary work of €/000 1,727.
Costs for leases and rentals include lease rentals for business properties of €/000 6,966, as well as lease payments for car hire, computers and photocopiers.

7. Employee costs €/000 (218,224)

Employee costs include €/000 4,302 relating to costs for redundancy plans mainly for the Pontedera and Noale production sites.

IN THOUSANDS OF EUROS	2018	2017	CHANGE
Salaries and wages	(161,764)	(158,270)	(3,494)
Social security contributions	(43,158)	(43,282)	124
Termination benefits	(7,946)	(7,975)	29
Other costs	(5,356)	(5,936)	580
Total	**(218,224)**	**(215,463)**	**(2,761)**

Below is a breakdown of the headcount by actual number and average number:

	AVERAGE NUMBER		
LEVEL	2018	2017	CHANGE
Senior management	98	96	2
Middle management	631	593	38
White collars	1,708	1,728	(20)
Blue collars	4,261	4,251	10
Total	**6,698**	**6,668**	**30**

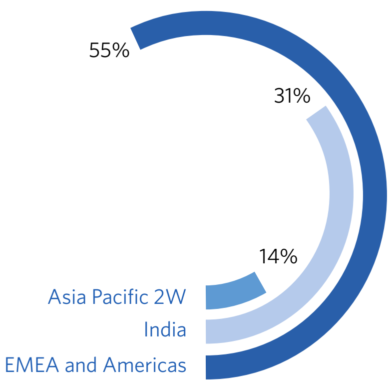
	NUMBER AS OF		
LEVEL	31 DECEMBER 2018	31 DECEMBER 2017	CHANGE
Senior management	100	97	3
Middle management	640	603	37
White collars	1,738	1,733	5
Blue collars	4,037	4,187	(150)
Total	**6,515**	**6,620**	**(105)**

Average employee numbers were affected by seasonal workers in the summer (on fixed-term employment contracts). In fact the Group uses fixed-term employment contracts to handle typical peaks in demand in the summer months.

In 2018, the Group reduced employee numbers, continuing its restructuring, streamlining and organisational cutbacks. As of 31 December 2018, Group employees totalled 6,515[32], down by 105 compared to 31 December 2017.

Changes in employee numbers in the two periods are compared below:

LEVEL	AS OF 31.12.17	INCOMING	LEAVERS	RELOCATIONS	AS OF 31.12.18
Senior management	97	6	(11)	8	100
Middle management	603	73	(78)	42	640
White collars	1,733	248	(202)	(41)	1,738
Blue collars	4,187	2,310	(2,451)	(9)	4,037
Total	**6,620**	**2,637**	**(2,742)**	**0**	**6,515**



DISTRIBUTION OF THE WORKFORCE BY GEOGRAPHIC SEGMENT AS OF 31 DECEMBER 2018

32 Of which 1,102 were on fixed-term contracts.

8. Amortisation/depreciation and impairment costs €/000 (108,987)

Amortisation and depreciation for the period, divided by category, is shown below:

IN THOUSANDS OF EUROS	2018	2017	CHANGE
PROPERTY, PLANT AND EQUIPMENT			
Buildings	(5,072)	(5,094)	22
Plant and machinery	(21,544)	(23,736)	2,192
Industrial and commercial equipment	(9,528)	(11,167)	1,639
Other assets	(4,216)	(4,631)	415
Total depreciation of property, plant and equipment	**(40,360)**	**(44,628)**	**4,268**
Impairment costs of property, plant and equipment	(622)		(622)
Total depreciation of property, plant and equipment and impairment costs	**(40,982)**	**(44,628)**	**3,646**

IN THOUSANDS OF EUROS	2018	2017	CHANGE
INTANGIBLE ASSETS			
Development costs	(30,128)	(34,655)	4,527
Industrial Patent and Intellectual Property Rights	(30,522)	(31,492)	970
Concessions, licences, trademarks and similar rights	(4,823)	(4,823)	0
Other	(101)	(175)	74
Total amortisation of intangible fixed assets	**(65,574)**	**(71,145)**	**5,571**
Impairment costs of intangible assets	(2,431)	(4,225)	1,794
Total amortisation of intangible assets and impairment costs	**(68,005)**	**(75,370)**	**7,365**

As set out in more detail in the paragraph on intangible assets, as of 1 January 2004, goodwill is no longer amortised, but tested annually for impairment.
The impairment test carried out as of 31 December 2018 confirmed the full recoverability of the amounts recorded in the financial statements.
Impairment costs of intangible assets refer to development projects for which production plans were reviewed in the context of the Group's 2019-2022 Industrial Plan.

9. Other operating income €/000 114,014

This item consists of:

IN THOUSANDS OF EUROS	2018	2017	CHANGE
Operating grants	4,565	4,266	299
Increases in fixed assets from internal work	47,394	41,884	5,510
Other revenue and income:			
- Rent receipts	4,671	4,599	72
- Capital gains on the disposal of assets	181	957	(776)
- Sale of miscellaneous materials	1,361	1,185	176
- Recovery of transport costs	24,639	24,828	(189)
- Recovery of advertising costs	3,633	3,373	260
- Recovery of sundry costs	2,701	4,150	(1,449)
- Compensation	1,932	677	1,255
- Compensation for quality-related events	3,019	1,951	1,068
- Licence rights and know-how	2,571	2,325	246
- Sponsorship	2,683	3,949	(1,266)
- Other income	14,241	11,889	2,352
- Other Group income	423	395	28
Total	**114,014**	**106,428**	**7,586**

The item contributions includes €/000 625 for state and EU contributions for research projects. The grants are recognised in profit or loss, with reference to the amortisation and depreciation of capitalised costs for which the grants were received. This item also includes contributions for exports (€/000 2,117) received from the Indian subsidiary.
In compliance with paragraph 125 of Law no. 124/2017 of 4 August 2017, details per project of funds received during 2018 are given in the section "Other information" of the Report on Operations.

10. Net reversals (impairment) of trade and other receivables €/000 (2,212)

This item consists of:

IN THOUSANDS OF EUROS	2018	2017	CHANGE
Release of provisions	7	49	(42)
Losses on receivables	(23)	(71)	48
Write-down of receivables in working capital	(2,196)	(2,759)	563
Total	**(2,212)**	**(2,781)**	**569**

11. Other operating costs €/000 (20,115)

This item consists of:

IN THOUSANDS OF EUROS	2018	2017	CHANGE
Provision for future risks	(72)	(10)	(62)
Provisions for product warranties	(10,522)	(10,865)	343
Duties and taxes not on income	(4,293)	(4,531)	238
Various subscriptions	(1,160)	(1,180)	20
Capital losses from disposal of assets	(318)	(399)	81
Losses from changes in the fair value of investment property	(1,254)	(187)	(1,067)
Miscellaneous expenses	(2,496)	(2,531)	35
Total sundry operating costs	*(9,521)*	*(8,828)*	*(693)*
Total	**(20,115)**	**(19,703)**	**(412)**

The item Losses from changes in the fair value of investment property relates to the depreciation noted in the expert appraisal of the Spanish site of Martorelles. For more details on how fair value is determined, reference is made to note 42.

12. Income/(loss) from investments €/000 482

Net income from investments comprise the following:
- €/000 459 relative to the portion of income attributable to the Group from the Zongshen Piaggio Foshan Motorcycle Co. Ltd. joint venture, valued at equity;
- €/000 15 relative to the portion of income attributable to the Group from the minority investment in Pontech;
- €/000 8 dividends received from the minority interest in Ecofor Service Pontedera.

13. Net financial income (borrowing costs) €/000 (25,410)

Below is the breakdown of borrowing costs and income:

IN THOUSANDS OF EUROS	2018	2017	CHANGE
Income:			
- Interest receivable from Parent Companies	17	21	(4)
- Interest receivable from clients	52	28	24
- Bank and post office interest payable	363	242	121
- Interest payable on financial receivables	2,242	838	1,404
- Income from fair value measurements	611	81	530
- Other	4,490	93	4,397
Total financial income	**7,775**	**1,303**	**6,472**
Expenses:			
- Interest payable on bank accounts	(4,319)	(4,562)	243
- Interest payable on debenture loans	(17,530)	(16,403)	(1,127)
- Interest payable on bank loans	(6,326)	(8,307)	1,981
- Interest payable to other lenders	(2,229)	(2,331)	102
- Interest to suppliers	(493)	(450)	(43)
- Cash discounts to clients	(674)	(695)	21
- Bank charges on loans	(1,065)	(1,369)	304
- Income from fair value measurements	0	(359)	359
- Borrowing costs from discounting back termination and termination benefits	(465)	(655)	190
- Interest payable on lease agreements	(168)	(188)	20
- Other	(426)	(151)	(275)
Total borrowing costs	**(33,695)**	**(35,470)**	**1,775**
Costs capitalised on property, plant and equipment	115	175	(60)
Costs capitalised on intangible assets	202	193	9
Total Capitalised Costs	**317**	**368**	**(51)**
Total net borrowing costs	**(33,378)**	**(35,102)**	**1,724**
Exchange gains	15,295	15,598	(303)
Exchange losses	(15,102)	(14,898)	(204)
Total net exchange gains/(losses)	**193**	**700**	**(507)**
Net financial income (borrowing costs)	**(25,410)**	**(33,099)**	**7,689**

The balance of financial income (charges) in 2018 was negative (- €/000 25,410), down on the previous year (- €/000 33,099), due to the reduction in the average cost of debt due to refinancing operations completed in 2018, and the reduction in average stock. This performance was further improved by non-recurring net income of €/000 901 from the liability management operation on the "Eur 250 million Piaggio 4.625% due 2021" debenture loan, and recognised in profit or loss as required by IFRS 9, of which €/000 4,431 under "Other financial income" and €/000 3,530 under "Interest on debenture loans. In addition, the fair value measurement of financial debt in foreign currency and relative hedging improved the result by €/000 889.
During 2018, borrowing costs for €/000 317 were capitalised (in the previous year, borrowing costs for €/000 368 had been capitalised).
The average rate used during 2018 for the capitalisation of borrowing costs (because of general loans), was equal to 5.6% and also refers to loans of the Vietnamese company in local currency (11.36% in 2017, when this item mainly referred to loans in Vietnamese currency.
Interest on the debenture loan refers to €/000 82 (€/000 134 in 2017) to the parent company Omniaholding.
Interest payable to other lenders mainly refers to interest payable to factoring companies and banks for the sale of trade receivables.

14. Taxes €/000 (31,775)

The item "Income taxes" is detailed below:

IN THOUSANDS OF EUROS	2018	2017	CHANGE
Current taxes	(31,044)	(20,398)	(10,646)
Deferred tax assets/liabilities	(731)	327	(1,058)
Total	**(31,775)**	**(20,071)**	**(11,704)**

In 2018 the impact of taxes on profit before tax was estimated as equal to 46.8% (50.1% in 2017). The decrease in the percentage of the tax rate is mainly related to the decrease in taxes for the year, which were considerably lower than the increase in profit before tax for the year, and to the lower negative effect due to no intergroup offsetting of tax losses.

The item current taxes includes net income from the Consolidated Tax Convention of €/000 3,808.

Reconciliation in relation to the theoretical rate is shown below:

IN THOUSANDS OF EUROS	2018	2017
Profit before tax	67,850	40,055
Theoretical rate	24.00%	24.00%
Theoretical income taxes	(16,284)	(9,613)
Effect arising from tax differences and the difference between foreign tax rates and the theoretical rate	(4,740)	(2,258)
Tax effect arising from losses for the year not offset	(7,556)	(8,083)
Tax effect arising from deferred taxes	(731)	327
Taxes on income generated abroad	(2,528)	(24)
Expenses/income from the Consolidated Tax Convention	3,808	1,195
Indian tax on the distribution of dividends	(2,007)	(2,006)
Regional production tax and other local taxes	(588)	(640)
Other differences	(1,149)	1,031
Income taxes recognised in the financial statements	**(31,775)**	**(20,071)**

Theoretical income taxes were determined applying the corporate tax rate in effect in Italy (24.0%) to profit before tax. The effect arising from the rate of regional production tax and other taxes paid abroad was determined separately, as these taxes are not calculated on the basis of profit before tax.

15. Gain/(loss) from assets held for disposal or sale €/000 0

At the end of the reporting period, there were no gains or losses from assets held for disposal or sale.

16. Earnings per share

Earnings per share are calculated as follows:

		2018	2017
Net profit	€/000	36,075	19,984
Earnings attributable to ordinary shares	€/000	36,075	19,984
Average number of ordinary shares in circulation		357,915,567	358,153,644
Earnings per ordinary share	€	0.101	0.056
Adjusted average number of ordinary shares		357,915,567	358,153,644
Diluted earnings per ordinary share	€	0.101	0.056

D) INFORMATION ON OPERATING ASSETS AND LIABILITIES

17. Intangible assets €/000 658,888

Intangible assets increased overall by €/000 9,911 mainly due to investments for the year which were only partially balanced by amortisation for the period.
Increases mainly refer to the capitalisation of development costs for new products and new engines, as well as the purchase of software.
During 2018, borrowing costs for €/000 202 were capitalised.

The table below shows the breakdown of intangible assets as of 31 December 2018 and 31 December 2017, as well as movements during the two financial years.

	DEVELOPMENT COSTS			PATENT RIGHTS AND KNOW-HOW			CONCESSIONS, LICENCES AND TRADEMARKS	GOODWILL	OTHER			TOTAL		
	IN OPERATION	ASSETS UNDER DEVELOPMENT AND ADVANCES	TOTAL	IN OPERATION	ASSETS UNDER DEVELOPMENT AND ADVANCES	TOTAL			IN OPERATION	ASSETS UNDER DEVELOPMENT AND ADVANCES	TOTAL	IN OPERATION	ASSETS UNDER DEVELOPMENT AND ADVANCES	TOTAL
IN THOUSANDS OF EUROS														
Historical cost	207,024	23,185	230,209	331,054	2,890	333,944	149,074	557,322	7,568	4	7,572	1,252,042	26,079	1,278,121
Provisions for write-down	(379)		(379)			0					0	(379)	0	(379)
Accumulated amortisation	(136,057)		(136,057)	(254,475)		(254,475)	(100,854)	(110,382)	(7,309)		(7,309)	(609,077)	0	(609,077)
Assets as of 01 01 2017	**70,588**	**23,185**	**93,773**	**76,579**	**2,890**	**79,469**	**48,220**	**446,940**	**259**	**4**	**263**	**642,586**	**26,079**	**668,665**
Investments	19,395	6,067	25,462	29,754	2,620	32,374			71	24	95	49,220	8,711	57,931
Entry into operation in the period	13,804	(13,804)	0	2,068	(2,068)	0			26	(26)	0	15,898	(15,898)	0
Amortisation	(34,655)		(34,655)	(31,492)		(31,492)	(4,823)		(175)		(175)	(71,145)	0	(71,145)
Disposals	(33)	(19)	(52)	(6)		(6)			(4)		(4)	(43)	(19)	(62)
Write-downs	(1,007)	(1,061)	(2,068)	(2,157)		(2,157)					0	(3,164)	(1,061)	(4,225)
Exchange differences	(1,729)	(332)	(2,061)	(83)	(11)	(94)			(22)		(22)	(1,834)	(343)	(2,177)
Other changes	(144)		(144)	134		134					0	(10)	0	(10)
Total movements 2017	**(4,369)**	**(9,149)**	**(13,518)**	**(1,782)**	**541**	**(1,241)**	**(4,823)**	**0**	**(104)**	**(2)**	**(106)**	**(11,078)**	**(8,610)**	**(19,688)**
Historical cost	232,890	15,054	247,944	361,842	3,431	365,273	155,074	557,322	6,809	2	6,811	1,313,937	18,487	1,332,424
Provisions for write-down	(1,007)	(1,018)	(2,025)	(2,157)		(2,157)					0	(3,164)	(1,018)	(4,182)
Accumulated amortisation	(165,664)		(165,664)	(284,888)		(284,888)	(111,677)	(110,382)	(6,654)		(6,654)	(679,265)	0	(679,265)
Assets as of 31 12 2017	**66,219**	**14,036**	**80,255**	**74,797**	**3,431**	**78,228**	**43,397**	**446,940**	**155**	**2**	**157**	**631,508**	**17,469**	**648,977**
Investments	13,261	20,038	33,299	18,628	25,556	44,184	611		11	25	36	32,511	45,619	78,130
Entry into operation in the period	8,045	(8,045)	0	1,947	(1,947)	0			27	(27)	0	10,019	(10,019)	0
Amortisation	(30,128)		(30,128)	(30,522)		(30,522)	(4,823)		(101)		(101)	(65,574)	0	(65,574)
Disposals	(41)		(41)	(20)		(20)			(11)		(11)	(72)	0	(72)
Write-downs	(1,571)	(500)	(2,071)	(360)		(360)					0	(1,931)	(500)	(2,431)
Exchange differences	(12)	(78)	(90)	(48)	(6)	(54)			2		2	(58)	(84)	(142)
Other changes			0			0					0	0	0	0
Total movements 2018	**(10,446)**	**11,415**	**969**	**(10,375)**	**23,603**	**13,228**	**(4,212)**	**0**	**(72)**	**(2)**	**(74)**	**(25,105)**	**35,016**	**9,911**
Historical cost	257,677	26,935	284,612	381,477	27,034	408,511	128,021	557,322	7,517		7,517	1,332,014	53,969	1,385,983
Provisions for write-down	(1,572)	(1,484)	(3,056)	(360)		(360)					0	(1,932)	(1,484)	(3,416)
Accumulated amortisation	(200,332)		(200,332)	(316,695)		(316,695)	(88,836)	(110,382)	(7,434)		(7,434)	(723,679)	0	(723,679)
Assets as of 31 12 2018	**55,773**	**25,451**	**81,224**	**64,422**	**27,034**	**91,456**	**39,185**	**446,940**	**83**	**0**	**83**	**606,403**	**52,485**	**658,888**

Development costs €/000 81,224

Development costs include costs for products and engines referable to projects for which, as regards the period of the useful life of the asset, revenues are expected that allow for at least the costs incurred to be recovered. This item also includes assets under development for €/000 25,451 that represent costs for which the conditions for capitalisation exist, but in relation to products that will go into production in future years.
Development expenditure for new projects capitalised in 2018 refers to the study of new vehicles and new engines (two-/three-/four-wheelers) which will feature as the top products in the 2018-2020 range.
Borrowing costs attributable to the development of products which require a considerable period of time to be realised are capitalised as a part of the cost of the actual assets. Development costs included under this item are amortised on a straight line basis over a period of 3 to 5 years, in consideration of their remaining useful life.
During 2018, development expenditure amounting to €/000 17,500 was directly recognised in profit or loss.

Industrial patent rights and know-how €/000 91,456

This item includes assets under development for €/000 27,034.
Patents and know-how mainly refer to Vespa, MP3, RSV4 and Aprilia SR 150 vehicles. Increases for the period mainly refer to new calculation, design and production techniques and methodologies developed by the Group, referring to main new products in the 2018-2020 range.
Costs for industrial patent and intellectual property rights are amortised on a straight line basis over a period of 3 to 5 years, in consideration of their remaining useful life.

Trademarks, concessions and licences €/000 39,185

The item Concessions, Licences, Trademarks and similar rights, is broken down as follows:

IN THOUSANDS OF EUROS	AS OF 31 DECEMBER 2018	AS OF 31 DECEMBER 2017	CHANGE
Guzzi trademark	13,000	14,625	(1,625)
Aprilia trademark	25,544	28,737	(3,193)
Minor trademarks	30	35	(5)
Foton licence	611		611
Total	**39,185**	**43,397**	**(4,212)**

The Aprilia and Guzzi trademarks are amortised over a period of 15 years, expiring in 2026.
The Foton licence was acquired following agreements signed in 2018 between Piaggio and the Foton Motor Group for the development and manufacture of a new range of light commercial four-wheelers that will be launched on the market starting from 2020.
The licence will be amortised over 10 years, from production start-up.

Goodwill €/000 446,940

Goodwill derives from the greater value paid compared to the corresponding portion of the subsidiaries shareholders' equity at the time of purchase, less the related accumulated amortisation until 31 December 2003.
Goodwill was attributed to cash generating units.

IN THOUSANDS OF EUROS	EMEA AND AMERICAS	INDIA	ASIA PACIFIC 2W	TOTAL
31 12 2018	305,311	109,695	31,934	446,940
31 12 2017	305,311	109,695	31,934	446,940

The organisational structure of the Group is based on 3 Geographic Segments (CGUs), involved in the production and sale of vehicles, relative spare parts and assistance in areas under their responsibility: EMEA and the Americas, India and Asia Pacific 2W. Each Geographic Segment has production sites and a sales network dedicated to customers in the relative segment. Central structures and development activities currently dealt with by EMEA and the Americas, are handled by individual CGUs.
As specified in the section on accounting standards, from 1 January 2004 goodwill is no longer amortised, but is tested annually or more frequently for impairment if specific events or changed circumstances indicate the possibility of it

having been impaired, in accordance with the provisions of IAS 36 Impairment of Assets (impairment test).
The possibility of reinstating booked values is verified by comparing the net carrying amount of individual cash generating units with the recoverable value (value in use). This recoverable value is represented by the present value of future cash flows which, it is estimated, will be derived from the continual use of goods referring to cash generating units and by the terminal value attributable to these goods.
The recoverability of goodwill is verified at least once per year (as of 31 December), even in the absence of indicators of impairment losses.
The main assumptions used by the Group to determine future financial flows, relative to a four-year period, and the consequent recoverable value (value in use) refer to:

a. a hypothesis of estimated financial flows over a four-year period, inferred from budget data for 2019 supplemented by forecast data for 2020-2022, approved by the Board of Directors of the Company, along with an impairment test performed on 21 February 2019;
b. the WACC discount rate.
c. in addition to the period, a growth rate (g rate) has been estimated.

In particular, for discounting cash flows, the Group has adopted a discount rate (WACC) which differs based on different cash generating units. This reflects market valuations of the fair value of money and takes account of specific risks of activities and the geographic segment in which the cash generating unit operates.
In the future cash flows discounting model, a terminal value is entered at the end of the cash flow projection period, to reflect the residual value each cash-generating unit should produce. The terminal value represents the current value, at the last year of the projection, of all subsequent cash flows calculated as perpetual income, and was determined using a growth rate (g rate) which differed by CGU, to reflect the different growth potentials of each CGU.

	EMEA AND AMERICAS	ASIA PACIFIC 2W	INDIA
2018			
WACC	6.4%	8.7%	11.1%
G	1.0%	2.0%	2.0%
Growth rate during the Plan period	6.9%	6.6%	4.6%
2017			
WACC	5.9%	8.4%	10.3%
G	1.0%	2.0%	2.0%
Growth rate during the Plan period	6.9%	8.3%	6.8%

The terminal value growth rate (g rate) is specific for CGUs, considering the area's growth potential.
The medium-/long-term growth rate (g-rate) for determining the Terminal Value of each CGU was considered as reasonable and prudent, in the light of:
- analysts' expectations for the Piaggio Group (source: Analyst Reports 2018-2019);
- the long-term real GDP growth trend expected for main countries where the Group operates (source: Economist Intelligence Unit – EIU);
- forecasts for the reference sector (source: Freedonia, «Global Motorcycle», May 2018).

The WACC was determined based on the previous year.
The growth rate during the period of the Plan was determined using the trend expected for the reference sector as the benchmark (source: Freedonia, «Global Motorcycle», May 2018).

Analyses did not identify any impairment losses. Therefore no write-down was recognised in consolidated data as of 31 December 2018.
In addition, and on the basis of information in the document produced jointly by the Bank of Italy, Consob and Isvap no. 2 of 6 February 2009, the Group conducted sensitivity analysis of test results in relation to changes in basic assumptions (use of the growth rate in producing the terminal value and discount rate) which affect the value in use of cash generating units. In the case of a positive or negative change of 0.5% of the WACC and G used, analyses would not identify impairment losses.
In all cases, the value in use of the Group was higher than the net carrying amount tested.

Given that the recoverable value was determined based on estimates, the Group cannot ensure that there will be no impairment losses of goodwill in future financial periods.
Given the current market weakness, the various factors used in processing estimates could require revision; the Piaggio Group will constantly monitor these factors as well as the existence of impairment losses.

Other intangible assets €/000 83

This item mainly refers to costs incurred by Piaggio Vietnam.

18. Property, plant and equipment €/000 266,198

Property, plant and equipment mainly refer to Group production facilities in Pontedera (Pisa), Noale and Scorzè (Venice), Mandello del Lario (Lecco), Baramati (India) and Vinh Phuc (Vietnam).
The increases mainly relate to the construction of moulds for new vehicles launched during the period.
Borrowing costs attributable to the construction of assets which require a considerable period of time to be ready for use are capitalised as a part of the cost of the actual assets. During 2018, borrowing costs for €/000 115 were capitalised.

The table below shows the breakdown of property, plant and equipment as of 31 December 2018 and 31 December 2017, as well as movements during the period.

	LAND	BUILDINGS			PLANT AND MACHINERY			EQUIPMENT			OTHER ASSETS			TOTAL		
		IN OPERATION	ASSETS UNDER CONSTRUCTION AND ADVANCES	TOTAL	IN OPERATION	ASSETS UNDER CONSTRUCTION AND ADVANCES	TOTAL	IN OPERATION	ASSETS UNDER CONSTRUCTION AND ADVANCES	TOTAL	IN OPERATION	ASSETS UNDER CONSTRUCTION AND ADVANCES	TOTAL	IN OPERATION	ASSETS UNDER CONSTRUCTION AND ADVANCES	TOTAL
IN THOUSANDS OF EUROS																
Historical cost	28,083	169,539	2,035	171,574	478,775	9,800	488,575	509,102	5,229	514,331	50,630	105	50,735	1,236,129	17,169	1,253,298
Reversals				0			0			0			0	0	0	0
Provisions for write-down				0	(483)		(483)	(2,526)		(2,526)	(64)		(64)	(3,073)	0	(3,073)
Accumulated depreciation		(70,012)		(70,012)	(351,637)		(351,637)	(485,101)		(485,101)	(42,396)		(42,396)	(949,146)	0	(949,146)
Assets as of 01 01 2017	**28,083**	**99,527**	**2,035**	**101,562**	**126,655**	**9,800**	**136,455**	**21,475**	**5,229**	**26,704**	**8,170**	**105**	**8,275**	**283,910**	**17,169**	**301,079**
Investments		1,124	556	1,680	4,871	10,881	15,752	5,146	1,598	6,744	3,326	1,273	4,599	14,467	14,308	28,775
Entry into operation in the period		608	(608)	0	12,014	(12,014)	0	1,618	(1,618)	0	84	(84)	0	14,324	(14,324)	0
Depreciation		(5,094)		(5,094)	(23,736)		(23,736)	(11,167)		(11,167)	(4,631)		(4,631)	(44,628)	0	(44,628)
Disposals	(443)	(152)		(152)	(172)	(80)	(252)	(64)	(1,742)	(1,806)	(66)		(66)	(897)	(1,822)	(2,719)
Write-downs				0			0			0			0	0	0	0
Exchange differences		(2,129)	(14)	(2,143)	(6,429)	(562)	(6,991)			0	(363)	(7)	(370)	(8,921)	(583)	(9,504)
Other changes		13		13	(76)		(76)			0	73		73	10	0	10
Total movements 2017	**(443)**	**(5,630)**	**(66)**	**(5,696)**	**(13,528)**	**(1,775)**	**(15,303)**	**(4,467)**	**(1,762)**	**(6,229)**	**(1,577)**	**1,182**	**(395)**	**(25,645)**	**(2,421)**	**(28,066)**
Historical cost	27,640	167,730	1,969	169,699	475,729	8,025	483,754	508,427	3,467	511,894	52,353	1,287	53,640	1,231,879	14,748	1,246,627
Reversals				0			0			0			0	0	0	0
Provisions for write-down				0	(483)		(483)	(2,408)		(2,408)	(64)		(64)	(2,955)	0	(2,955)
Accumulated depreciation		(73,833)		(73,833)	(362,119)		(362,119)	(489,011)		(489,011)	(45,696)		(45,696)	(970,659)	0	(970,659)
Assets as of 31 12 2017	**27,640**	**93,897**	**1,969**	**95,866**	**113,127**	**8,025**	**121,152**	**17,008**	**3,467**	**20,475**	**6,593**	**1,287**	**7,880**	**258,265**	**14,748**	**273,013**
Investments		664	1,319	1,983	4,139	11,917	16,056	8,742	5,484	14,226	3,960	923	4,883	17,505	19,643	37,148
Entry into operation in the period		1,858	(1,858)	0	10,982	(10,982)	0	1,509	(1,509)	0	1,444	(1,444)	0	15,793	(15,793)	0
Depreciation		(5,072)		(5,072)	(21,544)		(21,544)	(9,528)		(9,528)	(4,216)		(4,216)	(40,360)	0	(40,360)
Disposals		(20)		(20)	(16)	(127)	(143)	(1)	(170)	(171)	(656)	(7)	(663)	(693)	(304)	(997)
Write-downs		(622)		(622)			0			0			0	(622)	0	(622)
Exchange differences		(354)	(5)	(359)	(1,528)	(145)	(1,673)			0	49	(1)	48	(1,833)	(151)	(1,984)
Other changes				0			0			0			0	0	0	0
Total movements 2018	**0**	**(3,546)**	**(544)**	**(4,090)**	**(7,967)**	**663**	**(7,304)**	**722**	**3,805**	**4,527**	**581**	**(529)**	**52**	**(10,210)**	**3,395**	**(6,815)**
Historical cost	27,640	169,761	1,425	171,186	486,249	8,688	494,937	513,415	7,272	520,687	54,308	758	55,066	1,251,373	18,143	1,269,516
Reversals				0			0			0			0	0	0	0
Provisions for write-down		(622)		(622)	(483)		(483)	(2,408)		(2,408)	(64)		(64)	(3,577)	0	(3,577)
Accumulated depreciation		(78,788)		(78,788)	(380,606)		(380,606)	(493,277)		(493,277)	(47,070)		(47,070)	(999,741)	0	(999,741)
Assets as of 31 12 2018	**27,640**	**90,351**	**1,425**	**91,776**	**105,160**	**8,688**	**113,848**	**17,730**	**7,272**	**25,002**	**7,174**	**758**	**7,932**	**248,055**	**18,143**	**266,198**

Land €/000 27,640

Land is not depreciated.
Land mainly refers to Group production facilities in Pontedera (Pisa), Noale and Scorzè (Venice) and Mandello del Lario (Lecco). The item also includes land in Pisa, with a warehouse.

Buildings €/000 91,776

The item Buildings, net of accumulated depreciation, comprises:

IN THOUSANDS OF EUROS	AS OF 31 DECEMBER 2018	AS OF 31 DECEMBER 2017	CHANGE
Industrial buildings	89,473	92,981	(3,508)
Ancillary buildings	430	442	(12)
Light constructions	448	474	(26)
Assets under construction	1,425	1,969	(544)
Total	**91,776**	**95,866**	**(4,090)**

Industrial buildings refer to Group production facilities in Pontedera (Pisa), Noale and Scorzè (Venice), Mandello del Lario (Lecco), Baramati (India) and Vinh Phuc (Vietnam). The item also includes a building at Pisa used as a warehouse. Buildings are depreciated on a straight-line basis using rates considered suitable to represent their useful life.

Plant and machinery €/000 113,848

The item Plant and machinery, net of accumulated depreciation, consists of:

IN THOUSANDS OF EUROS	AS OF 31 DECEMBER 2018	AS OF 31 DECEMBER 2017	CHANGE
General plants	74,457	79,511	(5,054)
Automatic machinery	14,119	14,687	(568)
Furnaces and sundry equipment	275	292	(17)
Other	16,309	18,637	(2,328)
Assets under construction	8,688	8,025	663
Total	**113,848**	**121,152**	**(7,304)**

Plant and machinery refer to Group production facilities in Pontedera (Pisa), Noale and Scorzè (Venice), Mandello del Lario (Lecco), Baramati (India) and Vinh Phuc (Vietnam).
The "Other" item mainly includes non-automatic machinery and robotic centres.

Equipment €/000 25,002

The item Equipment mainly refers to production equipment at Pontedera (Pisa), Noale and Scorzè (Venice), Mandello del Lario (Lecco), Baramati (India) and Vinh Phuc (Vietnam).
Main investments in equipment concerned moulds for new vehicles launched during the year or scheduled to be launched in the first half of next year, moulds for new engines and specific equipment for assembly lines.

IN THOUSANDS OF EUROS	AS OF 31 DECEMBER 2018	AS OF 31 DECEMBER 2017	CHANGE
Industrial equipment	17,720	16,992	728
Commercial equipment	10	16	(6)
Assets under construction	7,272	3,467	3,805
Total	**25,002**	**20,475**	**4,527**

Other plant, property and equipment €/000 7,932

The item Other assets comprises:

IN THOUSANDS OF EUROS	AS OF 31 DECEMBER 2018	AS OF 31 DECEMBER 2017	CHANGE
EDP systems	2,923	2,858	65
Office furniture and equipment	2,119	2,586	(467)
Vehicles	695	694	1
Others	1,437	455	982
Assets under construction	758	1,287	(529)
Total	**7,932**	**7,880**	**52**

As of 31 December 2018, the net value of assets held through lease agreements was equal to €/000 10,706, and refers to the Pontedera painting plant for the Vespa and to the vehicles used by the Aprilia Racing Team.

IN THOUSANDS OF EUROS	AS OF 31 DECEMBER 2018
Vespa painting plant	10,699
Vehicles	7
Total	**10,706**

Future lease rental commitments are detailed in note 42.

Warranties

As of 31 December 2018, the Group had no buildings with mortgages.

19. Investment Property €/000 10,269

Investment property refers to the Spanish site of Martorelles, where production was stopped in March 2013 and relocated to Italian sites.

IN THOUSANDS OF EUROS	
Opening balance as of 1 January 2018	**11,523**
Fair value adjustment	(1,254)
Closing balance as of 31 December 2018	**10,269**

The net carrying amount as of 31 December 2018 was determined by a specific appraisal conducted by an independent expert who measured the "Fair Value less cost of disposal" based on a market approach (as provided for in IFRS 13). This analysis identified the total value of the investment as €/000 10,269. In this regard, the valuation took account of the current status of the property, the project to convert the area, for the development of a retail centre prepared by the Group, together with comparable transactions. Following the site redevelopment project, an agency management contract was given to a Spanish property company, to seek investors interested in the property.

The Group uses the "fair value model" as provided for in IAS 40, thus the measurement updated during 2018 resulted in profit adjusted to fair value, equal to €/000 1,254 being recognised under other costs in the income statement for the period.

If the cost criterion had still been used instead of fair value, the value of the Martorelles site would have been equal to €/000 6,123.

During 2018, costs incurred for management of the site amounted to €/000 437.

20. Deferred tax assets €/000 59,250

Deferred tax assets and liabilities are recognised at their net value when they may be offset in the same tax jurisdiction. Their breakdown was as follows:

IN THOUSANDS OF EUROS	AS OF 31 DECEMBER 2018	AS OF 31 DECEMBER 2017	CHANGE
Deferred tax assets	75,433	75,371	62
Deferred tax liabilities	(16,183)	(16,770)	587
Total	**59,250**	**58,601**	**649**

The main effects identified during the year are attributable to temporary differences and benefits recognised as tax losses.

As part of measurements to define deferred tax assets, the Group mainly considered the following:

- tax regulations of countries where it operates, the impact of regulations in terms of temporary differences and any tax benefits arising from the use of previous tax losses;
- taxable income expected in the medium term for each single company and the economic and tax impact. In this framework, the Group made reference to the plans from the reprocessing of the Group plan approved by the Board of Directors on 26 February 2018. As regards Piaggio & C. SpA, which is part of the National Consolidated Tax Convention of the IMMSI Group, the recovery of deferred tax assets is related to and confirmed by company forecasts and by taxable amounts of companies that are part of the above convention, as indicated in the long-term plans approved by their respective Boards;
- the tax rate in effect in the year when temporary differences occur.

Based on a prudential approach, it was decided to not wholly recognise the tax benefits arising from losses that can be carried over and from temporary differences.

	AMOUNT OF TEMPORARY DIFFERENCES	TAX RATE	TAX EFFECT
IN THOUSANDS OF EUROS			
	3,581	24%/27.9%	994
Provision for risks	3,581		994
	10,485	27.90%	2,925
	1,295	24.71%	320
	460	28.00%	129
	230	33.59%	77
	125	25.00%	31
	32	25.00%	8
Provision for product warranties	12,627		3,491
	16,899	24.00%	4,056
	1,576	28.00%	441
	798	24.00%	192
	115	24.71%	28
	17	33.59%	6
Provision for bad debts	19,405		4,723
	21,029	27.90%	5,867
	4,970	27.90%	1,387
	1,929	24.71%	477
	1,492	16.36%	244
	156	33.59%	52
	114	25.00%	29
	45	18.00%	8
	39	28.00%	11
	34	25.00%	9
Provision for obsolete stock	29,808		8,083
	37,330	24%/27.9%	10,169
	10,979	24%/27.9%	2,639
	7,542	10% 19.5%;	1,238
	7,349	34.94%	2,568
	6,188	24.71%	1,529
	1,239	25%/30%	337
	879	25.00%	220
	419	24.71%	104
	260	28.00%	73
	194	33.59%	65
	192	25.00%	48
	171	33.33%	57
	103	24.00%	25
	69	17.00%	12
	62	31.16%	19
	28	17.00%	5
	18	30.00%	5
	7	18.00%	1
	2	25.00%	1
Offsetting of Deferred Tax Liabilities	53,578	24% 34.94%;	(15,307)
Other changes	19,453		3,807
Total for provisions and other changes	**84,874**		**21,098**
Deferred tax assets already recognised			**19,838**
Deferred tax assets not booked			**1,259**
Piaggio & C. S.p.A.	138,121	24.00%	33,149
Nacional Motor S.A.	33,696	25.00%	8,424
Piaggio Fast Forward Inc.	21,469	24.71%	5,305
Piaggio Group Americas Inc.	19,993	24.71%	4,939
Piaggio Group Japan	4,704	33.59%	1,580
Piaggio Concept Store Mantova S.r.l.	4,652	24.00%	1,116
Aprilia Racing S.r.l.	1,393	24.00%	334
PT Piaggio Indonesia	318	25.00%	80
Offsetting of Deferred Tax Liabilities	(3,502)		(876)
Total out of tax losses	**220,844**		**54,052**
Deferred tax assets already recognised			**39,412**
Deferred tax assets not booked			**14,640**

21. Inventories €/000 224,108

This item comprises:

IN THOUSANDS OF EUROS	AS OF 31 DECEMBER 2018	AS OF 31 DECEMBER 2017	CHANGE
Raw materials and consumables	104,701	104,450	251
Provision for write-down	(10,602)	(13,941)	3,339
Net value	*94,099*	*90,509*	*3,590*
Work in progress and semifinished products	18,623	18,241	382
Provision for write-down	(852)	(852)	0
Net value	*17,771*	*17,389*	*382*
Finished products and goods	132,387	134,055	(1,668)
Provision for write-down	(20,295)	(23,526)	3,231
Net value	*112,092*	*110,529*	*1,563*
Advances	146	195	(49)
Total	**224,108**	**218,622**	**5,486**

As of 31 December 2018, inventories had increased by €/000 5,486.

22. Current and non-current trade receivables €/000 86,557

As of 31 December, no non-current trade payables were recorded for the periods compared.
Current trade receivables are broken down as follows:

IN THOUSANDS OF EUROS	AS OF 31 DECEMBER 2018	AS OF 31 DECEMBER 2017	CHANGE
Trade receivables due from customers	85,293	81,845	3,448
Trade receivables due from JV	1,252	2,148	(896)
Trade receivables due from parent companies	12	2	10
Total	**86,557**	**83,995**	**2,562**

Receivables due from joint ventures refer to amounts due from Zongshen Piaggio Foshan Motorcycles Co. Ltd. Receivables due from parent companies regard amounts due from Immsi.
The item Trade receivables comprises receivables referring to normal sale transactions, recorded net of a provision for bad debts of €/000 24,754.

Movements in the bad debt provision were as follows:

IN THOUSANDS OF EUROS	
Opening balance as of 1 January 2018	**28,966**
Increases for allocations	1,826
Decreases for use	(789)
Other changes	(5,249)
Closing balance as of 31 December 2018	**24,754**

The Group sells, on a rotating basis, a large part of its trade receivables with and without recourse. Piaggio has signed contracts with some of the most important Italian and foreign factoring companies as a move to optimise the monitoring and the management of its trade receivables, besides offering its customers an instrument for funding their own inventories, for factoring classified as without the substantial transfer of risks and benefits. On the contrary, for factoring without recourse, contracts have been formalised for the substantial transfer of risks and benefits. As of 31 December 2018 trade receivables that have not come due, sold without recourse totalled €/000 87,314. Of these amounts, Piaggio received payment prior to natural expiry of €/000 86,987.
As of 31 December 2018, advance payments received from factoring companies and banks for trade receivables sold with recourse totalled €/000 9,291 with a counter entry recorded in current liabilities.

23. Other current and non-current receivables €/000 50,132

They consist of:

IN THOUSANDS OF EUROS	AS OF 31 DECEMBER 2018	AS OF 31 DECEMBER 2017	CHANGE
OTHER NON-CURRENT RECEIVABLES:			
Sundry receivables due from associates	94	115	(21)
Prepaid expenses	13,673	9,312	4,361
Advances to employees	45	50	(5)
Security deposits	1,309	1,112	197
Receivables due from others	1,504	1,568	(64)
Total non-current portion	**16,625**	**12,157**	**4,468**

Receivables due from associates regard amounts due from the Fondazione Piaggio.

IN THOUSANDS OF EUROS	AS OF 31 DECEMBER 2018	AS OF 31 DECEMBER 2017	CHANGE
OTHER CURRENT RECEIVABLES:			
Sundry receivables due from parent companies	14,205	9,080	5,125
Sundry receivables due from JV	1,034	904	130
Sundry receivables due from associates	23	45	(22)
Accrued income	1,369	737	632
Prepaid expenses	2,880	3,516	(636)
Advance payments to suppliers	2,625	3,860	(1,235)
Advances to employees	2,133	1,638	495
Fair value of derivatives	4	102	(98)
Security deposits	263	331	(68)
Receivables due from others	8,971	6,703	2,268
Total current portion	**33,507**	**26,916**	**6,591**

Receivables due from parent companies refer to the recognition of accounting effects relating to the transfer of taxable bases pursuant to the Group Consolidated Tax Convention.
Receivables due from joint ventures refer to amounts due from Zongshen Piaggio Foshan Motorcycle Co. Ltd.
Receivables due from associates regard amounts due from Immsi Audit.
The item Fair Value of hedging derivatives comprises the fair value of hedging transactions on the exchange risk on forecast transactions recognised on a cash flow hedge basis.
Other receivables are recognised net of a bad debt provision of €/000 6,076.

Movements in the bad debt provision were as follows:

IN THOUSANDS OF EUROS	
Opening balance as of 1 January 2018	**5,738**
Increases for allocations	370
Decreases for use	(32)
Other changes	
Closing balance as of 31 December 2018	**6,076**

24. Current and non-current tax receivables €/000 24,767

Receivables due from tax authorities consist of:

IN THOUSANDS OF EUROS	AS OF 31 DECEMBER 2018	AS OF 31 DECEMBER 2017	CHANGE
VAT receivables	8,498	12,083	(3,585)
Income tax receivables	14,773	13,590	1,183
Other tax receivables	1,496	5,346	(3,850)
Total tax receivables	**24,767**	**31,019**	**(6,252)**

Non-current tax receivables totalled €/000 17,399, compared to €/000 19,913 as of 31 December 2017, while current tax receivables totalled €/000 7,368 compared to €/000 11,106 as of 31 December 2017. The decrease is mainly due to the reimbursement from the French tax authorities, following the ruling in favour of the company issued by the Versailles Appeal Court, concerning a tax assessment for the 2006 and 2007 tax periods.

25. Breakdown of operating receivables by measurement method

The table below shows the breakdown of operating receivables by measurement method:

IN THOUSANDS OF EUROS	ASSETS MEASURED AT FVPL	ASSETS MEASURED AT FVOCI	FINANCIAL DERIVATIVES	ASSETS AT AMORTISED COST	TOTAL
AS OF 31 DECEMBER 2018					
Non-current					
Tax receivables				17,399	17,399
Other receivables				16,625	16,625
Total non-current operating receivables	**-**	**-**	**-**	**34,024**	**34,024**
Current					
Trade receivables				86,557	86,557
Tax receivables				7,368	7,368
Other receivables			4	33,503	33,507
Total current operating receivables	**-**	**-**	**4**	**127,428**	**127,432**
Total operating receivables	**-**	**-**	**4**	**161,452**	**161,456**
AS OF 31 DECEMBER 2017					
Non-current					
Tax receivables				19,913	19,913
Other receivables				12,157	12,157
Total non-current operating receivables	**-**	**-**	**-**	**32,070**	**32,070**
Current					
Trade receivables				83,995	83,995
Tax receivables				11,106	11,106
Other receivables			102	26,814	26,916
Total current operating receivables	**-**	**-**	**102**	**121,915**	**122,017**
Total operating receivables	**-**	**-**	**102**	**153,985**	**154,087**

26. Receivables due after 5 years €/000 0

As of 31 December 2018, there were no receivables due after 5 years.

27. Breakdown of assets by geographic segment

As regards the breakdown of assets by geographic segment, reference is made to the section on segment reporting.

28. Assets held for sale €/000 0

As of 31 December 2018, there were no assets held for sale.

29. Current and non-current trade payables €/000 432,722

As of 31 December 2018 and as of 31 December 2017, no trade payables were recorded under non-current liabilities. Trade payables recorded as current liabilities are broken down as follows:

IN THOUSANDS OF EUROS	AS OF 31 DECEMBER 2018	AS OF 31 DECEMBER 2017	CHANGE
Amounts due to suppliers	424,320	402,400	21,920
Trade payables to JV	6,671	8,811	(2,140)
Trade payables due to other related parties	24	34	(10)
Amounts due to affiliated companies	55		55
Amounts due to parent companies	1,652	530	1,122
Total	**432,722**	**411,775**	**20,947**
of which reverse factoring	*181,758*	*183,758*	*(2,180)*

To facilitate credit conditions for its suppliers, the Group has used factoring agreements since 2012, mainly supply chain financing and reverse factoring agreements, as described in more detail in "Accounting policies and measurement criteria applied by the Group", to which reference is made. These operations did not change the primary obligation, nor substantially changed payment terms, so their nature is the same and they are still classified as trade liabilities.
As of 31 December 2018, the value of trade payables covered by reverse factoring or supply chain financing agreements was equal to €/000 181,758 (€/000 183,758 as of 31 December 2017).

30. Provisions (current and non-current portion) €/000 22,097

The breakdown and changes in provisions for risks during the period were as follows:

IN THOUSANDS OF EUROS	BALANCE AS OF 31 DECEMBER 2017	ALLOCATIONS	USES	RECLASSIFICATIONS	EXCHANGE DIFFERENCES	BALANCE AS OF 31 DECEMBER 2018
Provision for product warranties	13,619	10,522	(7,759)	118	94	16,594
Provision for contractual risks	2,732	713	(493)		20	2,972
Risk provision for legal disputes	2,013	50	(300)		25	1,788
Provisions for risk on guarantee	58					58
Other provisions for risks	751	63	(132)		3	685
Total	**19,173**	**11,348**	**(8,684)**	**118**	**142**	**22,097**

The breakdown between the current and non-current portion of long-term provisions is as follows:

IN THOUSANDS OF EUROS	AS OF 31 DECEMBER 2018	AS OF 31 DECEMBER 2017	CHANGE
NON-CURRENT PORTION			
Provision for product warranties	5,361	4,294	1,067
Provision for contractual risks	2,310	2,607	(297)
Risk provision for legal disputes	1,213	1,512	(299)
Other provisions for risks and charges	620	683	(63)
Total	**9,504**	**9,096**	**408**

IN THOUSANDS OF EUROS	AS OF 31 DECEMBER 2018	AS OF 31 DECEMBER 2017	CHANGE
CURRENT PORTION			
Provision for product warranties	11,233	9,325	1,908
Provisions for contractual risks	662	125	537
Risk provision for legal disputes	575	501	74
Provisions for risk on guarantee	58	58	0
Other provisions for risks and charges	65	68	(3)
Total	**12,593**	**10,077**	**2,516**

The product warranty provision relates to allocations for technical assistance on products covered by customer service which are estimated to be provided over the contractually envisaged warranty period. This period varies according to the type of goods sold and the sales market, and is also determined by customer take-up to commit to a scheduled maintenance plan.
The provision increased during the period by €/000 10,522 and €/000 7,759 was used in relation to costs incurred during the period.
The adoption of the new version of IFRS 15 resulted in a different accounting treatment for provisions to the fund for potential repurchases of stock from dealers no longer working with the distributor in the US (approximately €0.6 million).
The provision for litigation concerns labour litigation and other legal proceedings.

31. Deferred tax liabilities — €/000 2,806

Deferred tax liabilities amount to €/000 2,806 compared to €/000 3,170 as of 31 December 2017.

32. Retirement funds and employee benefits — €/000 41,306

IN THOUSANDS OF EUROS	AS OF 31 DECEMBER 2018	AS OF 31 DECEMBER 2017	CHANGE
Retirement funds	769	727	42
Post-employment benefits provision	40,537	43,730	(3,193)
Total	**41,306**	**44,457**	**(3,151)**

Retirement funds comprise provisions for employees allocated by foreign companies and additional customer indemnity provisions, which represent the compensation due to agents in the case of the agency contract being terminated for reasons beyond their control. Uses refer to the payment of benefits already accrued in previous years, while allocations refer to benefits accrued in the period.
The item "Termination benefits provision", comprising severance pay of employees of Italian companies, includes termination benefits indicated in defined benefit plans.
Their change was as follows:

IN THOUSANDS OF EUROS	
Opening balance as of 1 January 2018	**43,730**
Cost for the period	7,946
Actuarial losses recognised in Shareholders' equity	1,029
Interest cost	465
Uses and transfers of retirement funds	(12,628)
Other changes	(5)
Closing balance as of 31 December 2018	**40,537**

The economic/technical assumptions used by Group companies operating in Italy to discount the value are shown in the table below:

Technical annual discount rate	1.13%
Annual rate of inflation	1.50% as from 2019
Annual rate of increase in termination benefits	2.625% as from 2019

As regards the discount rate, the Group uses the iBoxx Corporates AA rating with a 7-10 duration as the valuation reference. If instead an iBoxx Corporates A rating with a 7-10 duration were used, the value of actuarial losses and the provision as of 31 December 2018 would have been lower by €/000 1,465.
The table below shows the effects, in absolute terms, as of 31 December 2018, which would have occurred following changes in reasonably possible actuarial assumptions:

IN THOUSANDS OF EUROS	PROVISION FOR TERMINATION BENEFITS
Turnover rate +2%	40,067
Turnover rate -2%	41,097
Inflation rate +0.25%	41,091
Inflation rate - 0.25%	39,976
Discount rate +0.50%	38,794
Discount rate - 0.50%	42,396

The average financial duration of the bond ranges from 10 to 27 years.
Estimated future amounts are equal to:

	IN THOUSANDS OF EUROS
YEAR	FUTURE AMOUNTS
1	3,304
2	2,760
3	4,135
4	4,031
5	3,050

The subsidiaries operating in Germany and Indonesia have provisions for employees identified as defined benefit plans. As of 31 December 2018, these provisions amounted to €/000 117 and €/000 115 respectively. The amount of profits / (losses) recognized in the statement of comprehensive income related to foreign companies amounted to €/000 -234.

33. Current and non-current tax payables €/000 14,635

As of 31 December 2018 and as of 31 December 2017, no tax payables were recorded under non-current liabilities. Their breakdown was as follows:

IN THOUSANDS OF EUROS	AS OF 31 DECEMBER 2018	AS OF 31 DECEMBER 2017	CHANGE
Due for income taxes	8,511	4,628	3,883
Due for non-income tax	50	31	19
Tax payables for:			
- VAT	2,010	568	1,442
- Tax withheld at source	3,803	4,260	(457)
- other	261	698	(437)
Total	6,074	5,526	548
Total	**14,635**	**10,185**	**4,450**

The item includes tax payables recorded in the financial statements of individual consolidated companies, set aside in relation to tax charges for the individual companies on the basis of applicable national laws.
Payables for withheld taxes made refer mainly to withheld taxes on employees' earnings, on employment termination payments and on self-employed earnings.

34. Other payables (current and non-current) €/000 54,159

This item comprises:

IN THOUSANDS OF EUROS	AS OF 31 DECEMBER 2018	AS OF 31 DECEMBER 2017	CHANGE
NON-CURRENT PORTION:			
Guarantee deposits	2,750	2,731	19
Deferred income	3,113	2,764	349
Miscellaneous payables to JV		12	(12)
Other payables	76	114	(38)
Total non-current portion	**5,939**	**5,621**	**318**

IN THOUSANDS OF EUROS	AS OF 31 DECEMBER 2018	AS OF 31 DECEMBER 2017	CHANGE
CURRENT PORTION:			
Payables to employees	17,452	14,474	2,978
Accrued expenses	3,782	5,007	(1,225)
Deferred income	1,403	1,016	387
Amounts due to social security institutions	8,584	8,124	460
Fair value of derivatives	16	6	10
Miscellaneous payables to JV	31	190	(159)
Sundry payables due to affiliated companies	5	24	(19)
Sundry payables due to parent companies	6,689	7,649	(960)
Other payables	10,258	9,934	324
Total current portion	**48,220**	**46,424**	**1,796**

Amounts due to employees include the amount for holidays accrued but not taken of €/000 9,388 and other payments to be made for €/000 8,064.
Payables due to affiliated companies refer to various amounts due to the Fondazione Piaggio (Foundation).
Payables to parent companies consist of payables to Immsi referring to expenses relative to the consolidated tax convention.
The item fair value of hedging derivatives mainly refers to the fair value of hedging derivatives relative to the exchange risk on forecast transactions recognised on an cash flow hedge basis.
The item Accrued liabilities includes €/000 471 for interest on hedging derivatives and relative hedged items measured at fair value.

35. Breakdown of operating payables by measurement method

The table below shows the breakdown of operating payables by measurement method:

IN THOUSANDS OF EUROS	LIABILITIES MEASURED AT FVPL	FINANCIAL DERIVATIVES	LIABILITIES AT AMORTISED COST	TOTAL
AS OF 31 DECEMBER 2018				
Non-current				
Tax payables				
Other payables			5,939	5,939
Total non-current operating payables		**-**	**5,939**	**5,939**
Current				
Trade payables			432,722	432,722
Tax payables			14,635	14,635
Other payables		16	48,220	48,236
Total current operating payables		**16**	**495,577**	**495,593**
Total operating payables		**16**	**501,516**	**501,532**
AS OF 31 DECEMBER 2017				
Non-current				
Tax payables				
Other payables			5,621	5,621
Total non-current operating payables	**-**	**-**	**5,621**	**5,621**
Current				
Trade payables			411,775	411,775
Tax payables			10,185	10,185
Other payables		6	46,418	46,424
Total current operating payables	**-**	**6**	**468,378**	**468,384**
Total operating payables	**-**	**6**	**473,999**	**474,005**

36. Payables due after 5 years

The Group has loans due after 5 years, which are referred to in detail in Note 41 Financial Liabilities.
With the exception of the above payables, no other long-term payables due after five years exist.

37. Breakdown of liabilities by geographic segment

As regards the breakdown of liabilities by geographic segment, reference is made to the section on segment reporting.

E) INFORMATION ON FINANCIAL ASSETS AND LIABILITIES

This section provides information on the carrying amount of financial assets and liabilities held, and in particular:
- specifically describes the type of financial assets and liabilities;
- the accounting standards adopted;
- describes how fair value is determined, how measurements and estimates are made, and the uncertainties involved.

The Group holds the following financial assets and liabilities:

IN THOUSANDS OF EUROS	ASSETS MEASURED AT FVPL	ASSETS MEASURED AT FVOCI	FINANCIAL DERIVATIVES	ASSETS AT AMORTISED COST	TOTAL
FINANCIAL ASSETS AS OF 31 DECEMBER 2018					
Non-current					
Other financial assets	37		5,992		6,029
Total non-current financial assets	**37**	**-**	**5,992**	**-**	**6,029**
Current					
Other financial assets			2,805		2,805
Cash and cash equivalents				131,282	131,282
Securities				57,396	57,396
Total current financial assets			**2,805**	**188,678**	**191,483**
Total financial assets	**37**	**-**	**8,797**	**188,678**	**197,512**
FINANCIAL ASSETS AS OF 31 DECEMBER 2017					
Non-current					
Other financial assets	36		7,328		7,364
Total non-current financial assets	**36**	**-**	**7,328**	**-**	**7,364**
Current					
Other financial assets			2,321		2,321
Cash and cash equivalents				88,743	88,743
Securities				39,324	39,324
Total current financial assets	**-**	**-**	**2,321**	**128,067**	**130,388**
Total financial assets	**36**	**-**	**9,649**	**128,067**	**137,752**

IN THOUSANDS OF EUROS	LIABILITIES MEASURED AT FVPL	FAIR VALUE ADJUSTMENT	FINANCIAL DERIVATIVES	LIABILITIES AT AMORTISED COST	TOTAL
FINANCIAL LIABILITIES AS OF 31 DECEMBER 2018					
Non-current					
Bank financing				207,239	207,239
Bonds		5,475		291,694	297,169
Other loans				160	160
Leases				7,930	7,930
Hedging derivatives					-
Total non-current financial liabilities	**-**	**5,475**	**-**	**507,023**	**512,498**
Current					
Bank financing				89,741	89,741
Bonds		2,563		10,325	12,888
Other loans				9,636	9,636
Leases				1,237	1,237
Hedging derivatives					
Total current financial liabilities	**-**	**2,563**	**-**	**110,939**	**113,502**
Total financial liabilities	**-**	**8,038**	**-**	**617,962**	**626,000**
FINANCIAL LIABILITIES AS OF 31 DECEMBER 2017					
Non-current					
Bank financing				125,259	125,259
Bonds		7,120		304,592	311,712
Other loans				344	344
Leases				9,168	9,168
Hedging derivatives					-
Total non-current financial liabilities	**-**	**7,120**	**-**	**439,363**	**446,483**
Current					
Bank financing	3,410	260		106,277	109,947
Bonds		2,120		9,625	11,745
Other loans				14,944	14,944
Leases				1,144	1,144
Hedging derivatives					
Total current financial liabilities	**3,410**	**2,380**	**-**	**131,990**	**137,780**
Total financial liabilities	**3,410**	**9,500**	**-**	**571,353**	**584,263**

38. Investments €/000 7,934

The investments heading comprises:

IN THOUSANDS OF EUROS	AS OF 31 DECEMBER 2018	AS OF 31 DECEMBER 2017	CHANGE
Interests in joint ventures	7,786	7,415	371
Investments in affiliated companies	148	138	10
Total	**7,934**	**7,553**	**381**

The increase in the item Interests in joint ventures refers to the equity valuation of the investment in the Zongshen Piaggio Foshan Motorcycles Co. Ltd. joint venture.

Investments in Joint Ventures €/000 7,786

IN THOUSANDS OF EUROS	AS OF 31 DECEMBER 2018	AS OF 31 DECEMBER 2017	CHANGE
JOINT VENTURE			
Accounted for using the equity method:			
Zongshen Piaggio Foshan Motorcycles Co. Ltd	7,786	7,415	371
Total joint ventures	**7,786**	**7,415**	**371**

The investment in Zongshen Piaggio Foshan Motorcycles Co. Ltd was classified under the item "joint ventures" in relation to agreements made in the contract signed on 15 April 2004 between Piaggio & C. S.p.A. and its historical partner Foshan Motorcycle Plant, and the Chinese company Zongshen Industrial Group Company Limited.
Piaggio & C. S.p.A. has a 45% interest in Zongshen Piaggio Foshan Motorcycles Co. Ltd. of which 12.5% via the direct subsidiary Piaggio China Company Ltd. The carrying amount of the investment refers to shareholders' equity pro-quota adjusted to take into account the measurement criteria adopted by the Group.

The table below summarises main financial data of the joint ventures:

IN THOUSANDS OF EUROS	ACCOUNTS AS OF 31 DECEMBER 2018		ACCOUNTS AS OF 31 DECEMBER 2017	
ZONGSHEN PIAGGIO FOSHAN MOTORCYCLE CO. LTD				
		45% *		45% *
Working capital	6,647	2,991	8,464	3,809
Consolidated debt	667	300	1,033	465
Total assets	14,507	6,528	12,030	5,413
Net capital employed	**21,821**	**9,819**	**21,527**	**9,687**
Provisions	209	94	189	85
Consolidated debt	0	0	0	0
Shareholders' equity	21,611	9,725	21,338	9,602
Total sources of financing	**21,821**	**9,819**	**21,527**	**9,687**
* Group ownership				
Shareholders' equity attributable to the Group		9,725		9,602
Elimination of margins on internal transactions		(1,939)		(2,187)
Value of the investment		**7,786**		**7,415**

IN THOUSANDS OF EUROS	
RECONCILIATION OF SHAREHOLDERS' EQUITY	
Opening balance as of 1 January 2018	**7,415**
Profit (Loss) for the period	211
Other comprehensive income	(88)
Elimination of margins on internal transactions	248
Closing balance as of 31 December 2018	**7,786**

Investments in Associates €/000 148

This item comprises:

IN THOUSANDS OF EUROS	CARRYING AMOUNT AS OF 31 DECEMBER 2017	ADJUSTMENT	CARRYING AMOUNT AS OF 31 DECEMBER 2018
ASSOCIATES			
Immsi Audit S.c.a.r.l.	10		10
S.A.T. S.A. - Tunisia	-		0
Depuradora D'Aigues de Martorelles	32	(5)	27
Pontech Soc. Cons. a.r.l. - Pontedera	96	15	111
Total associates	**138**	**10**	**148**

The value of investments in associates was adjusted during the year to the corresponding value of shareholders' equity.

39. Other non-current financial assets €/000 6,029

IN THOUSANDS OF EUROS	AS OF 31 DECEMBER 2018	AS OF 31 DECEMBER 2017	CHANGE
Fair value of derivatives	5,992	7,328	(1,336)
Investments in other companies	37	36	1
Total	**6,029**	**7,364**	**(1,335)**

The item Fair value of derivatives refers to the long-term portion of the fair value of the cross currency swap on a private debenture loan. For more details see section 44 "Financial risks" of the Notes.

The breakdown of the item "Investments in other companies" is shown in the table below:

IN THOUSANDS OF EUROS	AS OF 31 DECEMBER 2018	AS OF 31 DECEMBER 2017	CHANGE
OTHER COMPANIES:			
A.N.C.M.A. - Rome	2	2	-
ECOFOR SERVICE S.p.A. - Pontedera	2	2	-
Consorzio Fiat Media Center - Turin	3	3	-
S.C.P.S.T.V.	21	21	-
IVM	9	8	1
Total other companies	**37**	**36**	**1**

40. Other current financial assets €/000 2,805

IN THOUSANDS OF EUROS	AS OF 31 DECEMBER 2018	AS OF 31 DECEMBER 2017	CHANGE
Fair value of derivatives	2,805	2,321	484
Total	**2,805**	**2,321**	**484**

The item refers to the short-term portion of the fair value of the cross currency swap on the private debenture loan. For more details see section 44 "Financial risks" of the Notes.

41. Cash and cash equivalents €/000 188,740

The item, which mainly includes short-term and on demand bank deposits, is broken down as follows:

IN THOUSANDS OF EUROS	AS OF 31 DECEMBER 2018	AS OF 31 DECEMBER 2017	CHANGE
Bank and postal deposits	131,282	88,697	42,585
Cash on hand	62	46	16
Securities	57,396	39,324	18,072
Total	**188,740**	**128,067**	**60,673**

The item Securities refers to deposit agreements entered into by the Indian subsidiary to effectively use temporary liquidity.

Reconciliation of cash and cash equivalents recognised in the statement of financial position as assets with cash and cash equivalents recognised in the Statement of Cash Flows

The table below reconciles the amount of cash and cash equivalents above with cash and cash equivalents recognised in the Statement of Cash Flows.

IN THOUSANDS OF EUROS	AS OF 31 DECEMBER 2018	AS OF 31 DECEMBER 2017	CHANGE
Liquidity	188,740	128,067	60,673
Current account overdrafts	(354)	(173)	(181)
Closing balance	**188,386**	**127,894**	**60,492**

42. Current and non-current financial liabilities €/000 626,000

During 2018, the Group's total debt increased by €/000 41,737. Net of the fair value measurement of financial derivatives to hedge the exchange risk and interest rate risk, and the adjustment of relative hedged items, as of 31 December 2018 the total financial debt of the Group had increased by €/000 43,199.

IN THOUSANDS OF EUROS	FINANCIAL LIABILITIES AS OF 31 DECEMBER 2018			FINANCIAL LIABILITIES AS OF 31 DECEMBER 2017			CHANGE		
	CURRENT	NON-CURRENT	TOTAL	CURRENT	NON-CURRENT	TOTAL	CURRENT	NON-CURRENT	TOTAL
Gross financial debt	110,939	507,023	617,962	135,400	439,363	574,763	(24,461)	67,660	43,199
Fair value adjustment	2,563	5,475	8,038	2,380	7,120	9,500	183	(1,645)	(1,462)
Total	**113,502**	**512,498**	**626,000**	**137,780**	**446,483**	**584,263**	**(24,278)**	**66,015**	**41,737**

This increase is mainly due to the provision of new medium-/long-term loans.
Net financial debt of the Group amounted to €/000 429,222 as of 31 December 2018 compared to €/000 446,696 as of 31 December 2017.

IN THOUSANDS OF EUROS	AS OF 31 DECEMBER 2018	AS OF 31 DECEMBER 2017	CHANGE
Liquidity	**188,740**	**128,067**	**60,673**
Securities			0
Current financial receivables	**0**	**0**	**0**
Payables due to banks	(47,033)	(59,693)	12,660
Current portion of bank loans	(42,708)	(49,994)	7,286
Debenture loan	(10,325)	(9,625)	(700)
Amounts due to factoring companies	(9,291)	(14,613)	5,322
Amounts due under leases	(1,237)	(1,144)	(93)
Current portion of payables due to other lenders	(345)	(331)	(14)
Current financial debt	**(110,939)**	**(135,400)**	**24,461**
Net current financial debt	**77,801**	**(7,333)**	**85,134**
Payables due to banks and lenders	(207,239)	(125,259)	(81,980)
Debenture loan	(291,694)	(304,592)	12,898
Amounts due under leases	(7,930)	(9,168)	1,238
Amounts due to other lenders	(160)	(344)	184
Non-current financial debt	**(507,023)**	**(439,363)**	**(67,660)**
Net Financial Debt[33]	**(429,222)**	**(446,696)**	**17,474**

Non-current financial liabilities totalled €/000 507,023 against €/000 439,363 as of 31 December 2017, whereas current financial liabilities totalled €/000 110,939 compared to €/000 135,400 as of 31 December 2017.

The tables below analyse the composition and movements of the net financial position year on year.

IN THOUSANDS OF EUROS	BOOK VALUE AS OF 31.12.2018	BOOK VALUE AS OF 31.12.2017	CHANGE
Cash and cash equivalents	188,740	128,067	60,673
Current financial debt	(110,939)	(135,400)	24,461
Non-current financial debt	(507,023)	(439,363)	(67,660)
Net Financial debt	**(429,222)**	**(446,696)**	**17,474**
Cash and cash equivalents and financial receivables	188,740	128,067	60,673
Gross debt, fixed rate	(359,658)	(357,916)	(1,742)
Gross debt, variable rate	(258,304)	(216,847)	(41,457)
Net Financial debt	**(429,222)**	**(446,696)**	**17,474**

33 Pursuant to Consob Communication of 28 July 2006 and in compliance with the recommendation of the CESR of 10 February 2005 "Recommendation for the consistent implementation of the European Commission's Regulation on Prospectuses". The indicator does not include financial assets and liabilities arising from the fair value measurement of financial derivatives for hedging and otherwise, the fair value adjustment of relative hedged items equal to €/000 8,038 and relative accruals.

IN THOUSANDS OF EUROS		CASH FLOWS						
	BALANCE AS OF 31.12.2016	CHANGES	REPAY-MENTS	NEW ISSUES	RECLASSIFI-CATIONS	EXCHAN-GE DELTA	OTHER CHANGES	BALANCE AS OF 31.12.2017
Liquidity	**191,757**	**(54,067)**				**(9,623)**		**128,067**
Securities	0							0
Current financial receivables	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Current account overdrafts	(357)		355	(171)				(173)
Current account payables	(63,793)		19,161	(19,794)		4,906		(59,520)
Current portion of medium-/long-term bank loans	(80,132)		145,667	(500)	(115,363)	891	(557)	(49,994)
Total current bank loans	*(144,282)*		*165,183*	*(20,465)*	*(115,363)*	*5,797*	*(557)*	*(109,687)*
Debenture loan	(9,617)		9,669		(9,669)		(8)	(9,625)
Amounts due to factoring companies	(11,030)			(3,583)				(14,613)
Amounts due under leases	(1,114)		1,124		(1,145)		(9)	(1,144)
Current portion of payables due to other lenders	(328)		326		(330)	1		(331)
Current financial debt	**(166,371)**	**0**	**176,302**	**(24,048)**	**(126,507)**	**5,798**	**(574)**	**(135,400)**
Net current financial debt	**25,386**	**(54,067)**	**176,302**	**(24,048)**	**(126,507)**	**(3,825)**	**(574)**	**(7,333)**
Medium-/long-term bank loans	(222,912)			(20,048)	115,363	2,454	(116)	(125,259)
Debenture loan	(282,442)			(30,000)	9,669		(1,819)	(304,592)
Amounts due under leases	(10,311)				1,145		(2)	(9,168)
Amounts due to other lenders	(677)				330	3		(344)
Non-current financial debt	**(516,342)**	**0**	**0**	**(50,048)**	**126,507**	**2,457**	**(1,937)**	**(439,363)**
NET FINANCIAL DEBT	**(490,956)**	**(54,067)**	**176,302**	**(74,096)**	**0**	**(1,368)**	**(2,511)**	**(446,696)**

IN THOUSANDS OF EUROS		CASH FLOWS					
	BALANCE AS OF 31.12.2017	CHANGES	REPAY-MENTS	NEW ISSUES	RECLASSIFI-CATIONS	EXCHAN-GE DELTA	OTHER CHANGES	BALANCE AS OF 31.12.2018
Liquidity	**128,067**	**60,671**				**2**		**188,740**
Securities	0							0
Current financial receivables	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Current account overdrafts	(173)			(181)				(354)
Current account payables	(59,520)		27,965	(13,486)		(1,638)		(46,679)
Current portion of medium-/long-term bank loans	(49,994)		52,062	(1,400)	(42,760)	(302)	(314)	(42,708)
Total current bank loans	*(109,687)*	*0*	*80,027*	*(15,067)*	*(42,760)*	*(1,940)*	*(314)*	*(89,741)*
Debenture loan	(9,625)		9,669		(10,359)		(10)	(10,325)
Amounts due to factoring companies	(14,613)		5,322					(9,291)
Amounts due under leases	(1,144)		1,145		(1,238)			(1,237)
Current portion of payables due to other lenders	(331)		325		(345)	6		(345)
Current financial debt	**(135,400)**	**0**	**96,488**	**(15,067)**	**(54,702)**	**(1,934)**	**(324)**	**(110,939)**
Net current financial debt	**(7,333)**	**60,671**	**96,488**	**(15,067)**	**(54,702)**	**(1,932)**	**(324)**	**77,801**
Medium-/long-term bank loans	(125,259)		25,000	(151,100)	42,760	(256)	1,616	(207,239)
Debenture loan	(304,592)		168,497	(168,497)	10,359		2,539	(291,694)
Amounts due under leases	(9,168)				1,238			(7,930)
Amounts due to other lenders	(344)			(162)	345	1		(160)
Non-current financial debt	**(439,363)**	**0**	**193,497**	**(319,759)**	**54,702**	**(255)**	**4,155**	**(507,023)**
NET FINANCIAL DEBT	**(446,696)**	**60,671**	**289,985**	**(334,826)**	**0**	**(2,187)**	**3,831**	**(429,222)**

The breakdown of the debt is as follows:

IN THOUSANDS OF EUROS	ACCOUNTING BALANCE AS OF 31.12.2018	ACCOUNTING BALANCE AS OF 31.12.2017	NOMINAL VALUE AS OF 31.12.2018	NOMINAL VALUE AS OF 31.12.2017
Bank financing	296,980	234,946	298,815	235,481
Bonds	302,019	314,217	312,460	322,130
Other medium-/long-term loans:				
of which leases	*9,167*	*10,312*	*9,178*	*10,325*
of which amounts due to other lenders	*9,796*	*15,288*	*9,796*	*15,288*
Total other loans	18,963	25,600	18,974	25,613
Total	**617,962**	**574,763**	**630,249**	**583,224**

The table below shows the debt servicing schedule as of 31 December 2018:

IN THOUSANDS OF EUROS	NOMINAL VALUE AS OF 31.12.2018	AMOUNTS FALLING DUE WITHIN 12 MONTHS	AMOUNTS FALLING DUE AFTER 12 MONTHS	AMOUNTS FALLING DUE IN 2020	2021	2022	2023	BEYOND
Bank financing	298,815	89,741	209,074	29,645	47,081	94,805	37,485	58
including opening of credit lines and bank overdrafts	*47,033*	*47,033*	*0*	*0*	*0*	*0*	*0*	*0*
of which medium/long-term bank loans	*251,782*	*42,708*	*209,074*	*29,645*	*47,081*	*94,805*	*37,485*	*58*
Bonds	312,460	10,360	302,100	11,050	11,050	30,000	0	250,000
Other medium-/long-term loans:								
of which leases	*9,178*	*1,237*	*7,941*	*1,237*	*1,273*	*1,274*	*1,274*	*2,847*
of which amounts due to other lenders	*9,796*	*9,636*	*160*	*32*	*23*	*23*	*23*	*59*
Total other loans	18,974	10,873	8,101	1,305	1,296	1,297	1,297	2,906
Total	**630,249**	**110,974**	**519,275**	**42,000**	**59,427**	**126,102**	**38,782**	**252,964**

The following table analyses financial debt by currency and interest rate.

IN THOUSANDS OF EUROS	ACCOUNTING BALANCE AS OF 31.12.2017	ACCOUNTING BALANCE	NOMINAL VALUE AS OF 31.12.2018	APPLICABLE INTEREST RATE
Euro	513,498	561,509	573,796	2.81%
Indian Rupee	38	24	24	9.25%
Indonesian Rupiah	2,459			
US Dollar	19,597	*14,410*	*14,410*	*4.80%*
Vietnamese Dong	36,623	*39,286*	*39,286*	*6.28%*
Japanese Yen	2,548	*2,733*	*2,733*	*2.65%*
Total currencies other than euro	61,265	56,453	56,453	
Total	**574,763**	**617,962**	**630,249**	**3.07%**

Medium and long-term bank debt amounts to €/000 249,947 (of which €/000 207,239 non-current and €/000 42,708 current) and consists of the following loans:

- a €/000 10,909 medium-term loan from the European Investment Bank to finance Research & Development investments planned for the 2013-2015 period. The loan will mature in December 2019 and has a repayment schedule of 11 six-monthly instalments at a fixed rate of 2.723%. Contract terms require covenants (described below);

- a €/000 49,924 medium-term loan (nominal value of €/000 50,000) from the European Investment Bank to finance Research & Development investments planned for the 2016-2018 period. The loan will mature in December 2023 and has a repayment schedule of 7 fixed-rate annual instalments. Contract terms require covenants (described below);
- a €/000 115,860 loan (nominal value of €/000 117,500), a syndicate loan for a total of €/000 250,000 signed in June 2018 and comprising a €/000 187,500 four-year tranche (with a year's extension at the discretion of the borrower) as a revolving credit line (of which a nominal value of €/000 55,000 used as of 31 December 2018) and a tranche as a five-year loan with amortisation of €/000 62,500. Contract terms require covenants (described below);
- a €/000 13,581 medium-term loan (nominal value of €/000 13,600) granted by UBI Banca. The loan will fall due on 30 June 2021 and has an amortisation schedule of quarterly instalments;
- a €/000 4,164 medium-term loan (nominal value of €/000 4,175) granted by Banca Popolare Emilia Romagna. The loan will fall due on 5 June 2019 and has an amortisation schedule of six-monthly instalments;
- a €/000 19,955 medium-term loan (nominal value of €/000 20,000) granted by Banca Popolare Emilia Romagna. The loan will fall due on 1 December 2023 and has an amortisation schedule of six-monthly instalments;
- a €/000 9,092 loan granted by Banco BPM and comprising a tranche of €/000 12,500, granted as a revolving credit line (completely unused as of 31 December 2018) maturing in January 2021 and a tranche granted as a loan with amortisation of €/000 12,500 (€/000 9,092 remaining at 31 December 2018), maturing in July 2022;
- a €/000 7,461 medium-term loan (nominal value of €/000 7,500) granted by Interbanca-Banca IFIS. The loan will fall due on 30 September 2022 and has a quarterly repayment plan. Contract terms require covenants (described below);
- a €/000 9,015 medium term loan (nominal value of €/000 9,022) granted by Banca del Mezzogiorno comprising a €/000 20,000 tranche granted as a revolving credit line (wholly unused at 31 December 2018), maturing on 1 July 2022 and a €/000 10,000 tranche granted as a loan maturing on 2 January 2023 and with an amortisation schedule of six-monthly instalments. Contract terms require covenants (described below);
- a €/000 9,752 medium-term loan for VND/000 255,789,109 granted by VietinBank to the affiliate Piaggio Vietnam (for a total amount of VND/000 414,000,000) to fund the Research & Development investment plan. The loan matures in June 2021, with a repayment schedule in 7 six-monthly instalments, starting from June 2018, with a fixed rate for the first year, followed by a variable rate;
- €/000 234 of loans from various banks granted pursuant to Italian Law no. 346/88 on subsidised applied research.

All the above financial liabilities are unsecured.

The item Bonds for €/000 302,019 (nominal value of €/000 312,461) refers to:
- a €/000 32,385 private debenture loan (nominal value of €/000 32,461), (US Private Placement) issued on 25 July 2011 for $/000 75,000 wholly subscribed by an American institutional investor, payable in 5 annual portions from July 2017, with a semi-annual coupon. As of 31 December 2018, the fair value measurement of the debenture loan was equal to €/000 40,499 (the fair value is determined based on IFRS relative to fair value hedging). A Cross Currency Swap has been taken out on this debenture loan to hedge the exchange risk and interest rate risk;
- €/000 29,880 (nominal value of €/000 30,000) for a five-year private debenture loan issued on 28 June 2017 and wholly subscribed by Fondo Sviluppo Export, the fund set up by SACE and managed by Amundi SGR. The issue has no specific rating or listing on a regulated market;
- €/000 239,754 (nominal value of €/000 250,000) refers to the liability management operation completed by the Parent Company during the second quarter of 2018. This operation was for the refinancing of a debenture loan issued by the Company on 30 April 2014 for a total of €/000 250,000 maturing on 30 April 2021. Favourable market conditions have made it possible to benefit from improved economic conditions, optimising the cost of debt and extending its average life.

In particular, the liability management operation concerned the following stages:

1. the launch on 9 April 2018 of the exchange offer between bonds relative to the pre-existing debenture loan with new-issue bonds and the concurrent exercise of the call option on the total of bonds not exchanged and subject to the successful outcome of a new issue on the market. 32.6% of bondholders took up the offer, for a total value of €/000 81,503;
2. the issue on 18 April 2018 of a High Yield debenture loan (with the same characteristics as the bond issued in 2014), for a total of €/000 250,000, maturing on 30 April 2025 and six-monthly coupon with nominal annual rate fixed at 3.625% (as mentioned, the issue for €/000 81,503 was on an exchange basis, while the remaining portion concerned inflows of new liquidity for the Group, in order to finance the exercise of the call option to

wholly repay the previous issue). The debenture loan was rated by S&P (BB-) and Moody's (B1), in line with the ratings of the Group;
3. on 9 May 2018, the Group repaid in full the debenture loan issued on 30 April 2014 for the outstanding amount of €/000 168,497, exercising the call option provided for in the contract on the total of unexchanged bonds;
4. as provided for by IFRS 9, the operation was recognised in the income statement with a net, non-recurrent financial income of €/000 901 generated from income for €/000 4,431 originating from the change in fair value of the exchanged bonds (IFRS 9 paragraph b.3.3.6) net of the premium paid for the exchange of outstanding securities, as well as costs for €/000 3,530 mainly relative to premiums recognised for the pre-repayment of unexchanged bonds, and for alignment of the amortised cost due to the effects of exercising the call option.

The company may repay in advance:
- all or part of the amount of the high yield debenture loan issued on 30 April 2018, according to the conditions indicated in the indenture. The value of prepayment options was not deducted from the original contract, as these are considered as being closely related to the host instrument, as provided for by IFRS 9 b4.3.5;
- all or part of the amount of the private placement issued on 28 June 2017, according to the conditions indicated in the contract. The value of prepayment options was not deducted from the original contract, as these are considered as being closely related to the host instrument, as provided for by IFRS 9 b4.3.5.

Medium-/long-term payables due to other lenders equal to €/000 9,672 of which €/000 8,090 due after the year and €/000 1,582 as the current portion, are detailed as follows:

- a finance lease for €/000 9,056 (nominal value of €/000 9,068) granted by Albaleasing as a Sale&Lease back agreement on a production plant of the Parent Company. The agreement is for ten years, with quarterly repayments (non-current portion equal to €/000 7,930);
- a financial lease for €/000 111 granted by VFS Servizi Finanziari for the use of vehicles;
- a loan of €/000 24 from BMW finance for the purchase of cars (non-current portion equal to €/000 10);
- funding for a total of €/000 481 from the Ministry of Economic Development and from the Region of Tuscany pursuant to legislation on incentives for investments in research and development (non-current portion equal to €/000 150).

Financial advances received from factoring companies and banks, on the sale of trade receivables with recourse, totalled €/000 9,291.

Covenants

In line with market practices for borrowers with a similar credit rating, main loan contracts require compliance with:
1. financial covenants, on the basis of which the company undertakes to comply with certain levels of contractually defined financial indices, with the most significant comprising the ratio of net financial debt/gross operating margin (EBITDA), measured on the consolidated perimeter of the Group, according to definitions agreed on with lenders;
2. negative pledges according to which the company may not establish collaterals or other constraints on company assets;
3. "pari passu" clauses, on the basis of which the loans will have the same repayment priority as other financial liabilities, and change of control clauses, which are effective if the majority shareholder loses control of the company;
4. limitations on the extraordinary operations the company may carry out.

The measurement of financial covenants and other contract commitments is monitored by the Group on an ongoing basis.
The high yield debenture loan issued by the company in April 2018 provide for compliance with covenants which are typical of international practice on the high yield market. In particular, the company must observe the EBITDA/Net borrowing costs index, based on the threshold established in the Prospectus, to increase financial debt defined during issue. In addition, the Prospectus includes some obligations for the issuer, which limit, inter alia, the capacity to:
1. pay dividends or distribute capital;
2. make some payments;
3. grant collaterals for loans;
4. merge with or establish some companies;
5. sell or transfer own assets.

Failure to comply with the covenants and other contract commitments of the loan and debenture loan, if not remedied in agreed times, may give rise to an obligation for the early repayment of the outstanding amount of the loan.

Amortised Cost and Fair Value Measurement

All financial liabilities are measured in accordance with accounting standards and based on the amortised cost method (except for liabilities with hedging derivatives measured at Fair Value Through Profit & Loss, for which the same measurement criteria used for the derivative are applied). According to this method, the nominal amount of the liability is decreased by the amount of relative costs of issue and/or stipulation, in addition to any costs relating to refinancing of previous liabilities. The amortisation of these costs is determined on an effective interest rate basis, and namely the rate which discounts the future flows of interest payable and reimbursements of principal at the net carrying amount of the financial liability.
IFRS 13 – Fair Value Measurement defines fair value on the basis of the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In the absence of an active market or market that does not operate regularly, fair value is measured by valuation techniques.
The standard defines a fair value hierarchy:
- level 1 – quoted prices in active markets for assets or liabilities measured;
- level 2 – inputs other than quoted prices included within Level 1 that are observable directly (prices) or indirectly (derived from prices) on the market;
- level 3 – inputs not based on observable market data.

The valuation techniques referred to levels 2 and 3 must take into account adjustment factors that measure the risk of insolvency of both parties. To this end, the standard introduces the concepts of Credit Value Adjustment (CVA) and Debit Value Adjustment (DVA): CVA makes it possible to include the counterparty credit risk in the fair value measurement; DVA reflects the risk of insolvency of the Group.

The table below shows the fair value of payables measured using the amortised cost method as of 31 December 2018:

IN THOUSANDS OF EUROS	NOMINAL VALUE	CARRYING AMOUNT	FAIR VALUE [34]
High yield debenture loan	250,000	239,754	248,473
Private debenture loan 2021	32,461	32,385	40,499
Private debenture loan 2022	30,000	29,880	29,587
EIB (R&D loan 2013-2015)	10,909	10,909	11,056
EIB (R&D loan 2016-2018)	50,000	49,925	48,878
Credit line from B. Pop. Emilia Romagna	4,175	4,168	4,208
Loan from B. Pop. Emilia Romagna	20,000	19,951	19,241
Loan from Banco BPM	9,092	9,092	9,499
Revolving syndicated loan	55,000	53,830	51,922
Syndacated loan maturing 2023	62,500	62,029	60,873
Loan from UBI	13,600	13,581	13,493
Loan from MCC	9,022	9,015	8,859
Loan from Banca Ifis	7,500	7,461	7,699
VietinBank medium-term loan	9,715	9,715	10,197

For liabilities due within 18 months, the carrying amount is basically considered the same as the fair value.

34 The value deducts DVA related to the issuer, i.e. it includes the risk of insolvency of Piaggio.

Fair value hierarchy

The table below shows the assets and liabilities measured and recognised at fair value as of 31 December 2018, by hierarchical level of fair value measurement.

IN THOUSANDS OF EUROS	LEVEL 1	LEVEL 2	LEVEL 3
ASSETS MEASURED AT FAIR VALUE			
Investment Property			10,269
Financial derivatives:			
- of which financial assets		8,797	
- of which other receivables		4	
Investments in other companies			37
Total assets		**8,801**	**10,306**
LIABILITIES MEASURED AT FAIR VALUE			
Financial derivatives			
- of which financial liabilities			
- of which other payables		(16)	
Financial liabilities at fair value recognised through profit or loss		(40,499)	
Total liabilities		**(40,515)**	
General total		**(31,714)**	**10,306**

Investment property relative to the Martorelles site was measured as hierarchical level 3. This value was confirmed by a specific valuation of an independent expert, who measured the "Fair value less cost of disposal" based on a market approach (as provided for by IFRS 13). The valuation took account of comparable transactions on the local market, and the project to convert the area (from an industrial to a commercial site, as approved by the local authorities on 18 February 2014), referring however the value of the investment to its current status. As a consequence, a concurrent increase or decrease of 10% in all variables used in the investment valuation would have generated a greater value of approximately €/000 4,050 or a lower value of approximately €/000 3,000 respectively, with an equivalent greater or lower impact on profit or loss for the period.

The following tables show Level 2 and Level 3 changes during 2018:

IN THOUSANDS OF EUROS	LEVEL 2
Balance as of 31 December 2017	**(45,434)**
Gain (loss) recognised in profit or loss	749
Gain (loss) recognised in the statement of comprehensive income	(108)
(Increases)/Decreases	13,079
Balance as of 31 December 2018	**(31,714)**
	LEVEL 3
Balance as of 31 December 2017	**11,697**
Gain (loss) recognised in profit or loss	(1,392)
Increases/(Decreases)	1
Balance as of 31 December 2018	**10,306**

F) MANAGEMENT OF FINANCIAL RISK

This section describes all financial risks to which the Group is exposed and how these risks could affect future results.

43. Credit risk

The Group considers that its exposure to credit risk is as follows:

IN THOUSANDS OF EUROS	AS OF 31 DECEMBER 2018	AS OF 31 DECEMBER 2017
Liquid assets	131,282	88,697
Securities	57,396	39,324
Financial receivables	8,834	9,685
Other receivables	50,132	39,073
Tax receivables	24,767	31,019
Trade receivables	86,557	83,995
Total	**358,968**	**291,793**

The Group monitors or manages credit centrally by using established policies and guidelines. The portfolio of trade receivables shows no signs of concentrated credit risk in light of the broad distribution of our licensee or distributor network. In addition, most trade receivables are short-term. In order to optimise credit management, the Group has established revolving programmes with some primary factoring companies for selling its trade receivables without recourse in Europe and the United States.

44. Financial risks

The financial risks the Group is exposed to are liquidity risk, exchange risk, interest rate risk and credit risk.
The management of these risks, in order to reduce management costs and dedicated resources, is centralised and treasury operations take place in accordance with formal policies and guidelines which are applicable to all Group companies.

Liquidity risk and capitals management

The liquidity risk arises from the possibility that available financial resources are not sufficient to cover, in due times and procedures, future payments arising from financial and/or commercial obligations. To deal with these risks, cash flows and the Group's credit line needs are monitored or managed centrally under the control of the Group's Treasury in order to guarantee an effective and efficient management of the financial resources as well as optimise the debt's maturity standpoint.
In addition, the Parent Company finances the temporary cash requirements of Group companies by providing direct short-term loans regulated in market conditions or guarantees. A cash pooling zero balance system is used between the Parent Company and European companies to reset the receivable and payable balances of subsidiaries on a daily basis, for a more effective and efficient management of liquidity in the Eurozone.
As of 31 December 2018 the most important sources of financing irrevocable until maturity granted to the Parent Company were as follows:

- a debenture loan of €/000 250,000 maturing in April 2025;
- a debenture loan of $/000 47,000 maturing in July 2021;
- a debenture loan of €/000 30,000 maturing in June 2022;
- a credit line of €/000 250,000 comprising a Revolving Credit Facility of €/000 187,500 maturing in July 2022 and a loan of €/000 62,500 maturing in July 2023;
- Revolving credit facilities for a total of €/000 32,500, with final settlement in July 2022;
- loans for a total of €/000 125,014, with final settlement in December 2023.

Other Group companies also have irrevocable loans totalling €/000 9,752, with final settlement in June 2021.

As of 31 December 2018, the Group had a liquidity of €/000 188,740, €/000 165,000 of undrawn credit lines irrevocable to maturity and €/000 126,225 of revocable credit lines, as detailed below:

IN THOUSANDS OF EUROS	AS OF 31 DECEMBER 2018	AS OF 31 DECEMBER 2017
Variable rate with maturity within one year - irrevocable until maturity	0	170,000
Variable rate with maturity beyond one year - irrevocable until maturity	165,000	32,500
Variable rate with maturity within one year - cash revocable	126,225	117,378
Variable rate with maturity within one year - with revocation for self-liquidating typologies	19,000	19,000
Total undrawn credit lines	**310,225**	**338,878**

The table below shows the timing of future payments in relation to trade payables:

IN THOUSANDS OF EUROS	WITHIN 30 DAYS	BETWEEN 31 AND 60 DAYS	BETWEEN 61 AND 90 DAYS	OVER 90 DAYS	TOTAL AS OF 31 DECEMBER 2018
Trade payables	155,357	93,093	34,762	149,510	432,722

Management considers that currently available funds, as well as funds that will be generated from operations and loans, will enable the Group to meets its requirements relative to investments, the management of working capital and repayment of loans on expiry and will ensure an adequate level of operating and strategic flexibility.

Exchange Risk

The Group operates in an international context where transactions are conducted in currencies different from the euro. This exposes the Group to risks arising from exchange rates fluctuations. For this purpose, the Group has an exchange rate risk management policy which aims to neutralise the possible negative effects of the changes in exchange rates on company cash-flows.
This policy analyses:

- **the transaction exchange risk:** the policy wholly covers this risk which arises from differences between the recognition exchange rate of receivables or payables in foreign currency in the financial statements and the recognition exchange rate of actual collection or payment. To cover this type of exchange risk, the exposure is naturally offset in the first place (netting between sales and purchases in the same currency) and if necessary, by signing currency future derivatives, as well as advances of receivables denominated in currency;
- **the translation exchange risk:** arises from the translation into euro of the financial statements of subsidiaries prepared in currencies other than the euro during consolidation. The policy adopted by the Group does not require this type of exposure to be covered;
- **the economic exchange risk:** arises from changes in company profitability in relation to annual figures planned in the economic budget on the basis of a reference change (the "budget change") and is covered by derivatives. The items of these hedging operations are therefore represented by foreign costs and revenues forecast by the sales and purchases budget. The total of forecast costs and revenues is processed monthly and relative hedging is positioned exactly on the average weighted date of the economic event, recalculated based on historical criteria. The economic occurrence of future receivables and payables will occur during the budget year.

Cash flow hedging

As of 31 December 2018, the Group had undertaken the following futures transactions (recognised based on the regulation date) relative to payables and receivables already recognised to hedge the transaction exchange risk:

COMPANY	OPERATION	CURRENCY	AMOUNT IN CURRENCY	VALUE IN LOCAL CURRENCY (FORWARD EXCHANGE RATE)	AVERAGE MATURITY
			IN THOUSANDS	IN THOUSANDS	
Piaggio & C.	Purchase	CNY	53,500	6,743	11/02/2019
Piaggio & C.	Purchase	JPY	270,000	2,090	03/02/2019
Piaggio & C.	Purchase	SEK	1,300	126	31/01/2019
Piaggio & C.	Purchase	USD	3,750	3,249	21/01/2019
Piaggio & C.	Sale	CAD	300	198	28/02/2019
Piaggio & C.	Sale	GBP	600	665	07/01/2019
Piaggio & C.	Sale	INR	155,000	1,881	24/01/2019
Piaggio & C.	Sale	USD	23,300	20,295	23/02/2019
Piaggio Vietnam	Sale	USD	25,000	586,697,000	18/02/2019
Piaggio Indonesia	Purchase	USD	2,786	42,818,643	20/01/2019
Piaggio Vehicles Private Limited	Sale	USD	1,985	139,443	31/01/2019
Piaggio Vehicles Private Limited	Sale	€	4,527	380,127	20/02/2019

As of 31 December 2018, the Group had undertaken the following transactions to hedge the business exchange risk:

COMPANY	OPERATION	CURRENCY	AMOUNT IN CURRENCY	VALUE IN LOCAL CURRENCY (FORWARD EXCHANGE RATE)	AVERAGE MATURITY
			IN THOUSANDS	IN THOUSANDS	
Piaggio & C.	Purchase	CNY	118,000	14,789	14/06/2019
Piaggio & C.	Sale	GBP	2,900	3,222	22/06/2019

To hedge the economic exchange risk alone, cash flow hedging is adopted with the effective portion of profits and losses recognised in a specific shareholders' equity reserve. Fair value is determined based on market quotations provided by main traders.

As of 31 December 2018 the total fair value of hedging instruments for the economic exchange risk recognised on a hedge accounting basis was negative by €/000 12. During 2018, losses under other components of the Statement of Comprehensive Income were recognised amounting to €/000 12 and losses from other components of the Statement of Comprehensive Income were reclassified under profit/loss for the year amounting to €/000 96.

The net balance of cash flows during 2018 is shown below, divided by main currency:

IN MILLIONS OF EUROS	CASH FLOW 2018
Canadian Dollar	4.7
Pound Sterling	21.1
Japanese Yen	3.1
US Dollar	74.4
Indian Rupee	25
Croatian Kuna	0.0
Chinese Yuan[35]	(40.7)
Vietnamese Dong	(41.6)
Indonesian Rupiah	19.7
Total cash flow in foreign currency	**65.7**

In view of the above, an assumed appreciation/deprecation of 3% of the euro would have generated potential profits for €/000 2,200 and potential losses for €/000 2,072 respectively.

Interest rate risk

This risk arises from fluctuating interest rates and the impact this may have on future cash flows arising from variable rate financial assets and liabilities. The Group regularly measures and controls its exposure to the risk of interest rate changes, as established by its management policies, in order to reduce fluctuating borrowing costs, and limit the risk of a potential increase in interest rates. This objective is achieved through an adequate mix of fixed and variable rate exposure, and the use of derivatives, mainly interest rate swaps and cross currency swaps.

As of 31 December 2018, the following hedging derivatives were in use:

Fair value hedging derivatives (fair value hedging and fair value options)

- a Cross Currency Swap to hedge the private debenture loan issued by the Parent Company for a nominal amount of $/000 47,000. The purpose of the instrument is to hedge both the exchange risk and interest rate risk, turning the loan from US dollars to euro, and from a fixed rate to a variable rate; the instrument is accounted for on a fair value hedge basis, with effects arising from the measurement recognised in profit or loss. As of 31 December 2018, the fair value of the instrument was equal to €/000 8,797. The net economic effect arising from the measurement of the instrument and underlying private debenture loan was equal to €/000 - 488; sensitivity analysis of the instrument and its underlying, assuming a 1% increase and decrease in the shift of the variable rates curve, showed a potential impact on the Income Statement, net of the related tax effect, of €/000 27 and €/000 -5 respectively, assuming constant exchange rates; whereas assuming a 1% reversal and write-down of exchange rates, sensitivity analysis identified a potential impact on the income statement, net of the relative tax effect, of €/000 13 and €/000 -13 respectively.

IN THOUSANDS OF EUROS	FAIR VALUE
PIAGGIO & C. S.P.A.	
Cross Currency Swap	8,797

35 Cash flow partially in euro

G) INFORMATION ON SHAREHOLDERS' EQUITY

45. Share capital and reserves — €/000 391,952

Share capital — €/000 207,614

During the period, the nominal share capital of Piaggio & C. did not change.
Therefore, as of 31 December 2018, the nominal share capital of Piaggio & C., fully subscribed and paid up, was equal to €207,613,944.37, divided into 358,153,644 ordinary shares.

Treasury shares — €/000 (1,537)

During the period, 793,818 treasury shares were purchased. Therefore, as of 31 December 2018, Piaggio & C. held 793,818 treasury shares, equal to 0.2216% of the share issued.

SHARES IN CIRCULATION AND TREASURY SHARES

NO. OF SHARES	2018	2017
Situation as of 1 January		
Shares issued	358,153,644	361,208,380
Treasury portfolio shares	0	3,054,736
Shares in circulation	358,153,644	358,153,644
Movements for the period		
Cancellation of treasury shares		(3,054,736)
Purchase of treasury shares	793,818	
Situation as of 31 December		
Shares issued	358,153,644	358,153,644
Treasury portfolio shares	793,818	0
Shares in circulation	357,359,826	358,153,644

In 2019, an additional 80,000 treasury shares were purchased. Therefore at the time of going to press, Piaggio & C. S.p.A. held 873,818 treasury shares, equal to 0.244% of the share capital.

Share premium reserve — €/000 7,171

The share premium reserve as of 31 December 2018 was unchanged compared to 31 December 2017.

Legal reserve — €/000 20,125

The legal reserve as of 31 December 2018 had increased by €/000 1,030 as a result of the allocation of earnings for the previous year.

Financial instruments' fair value reserve — €/000 (114)

The financial instruments fair value reserve is negative and refers to the effects of cash flow hedge accounting in foreign currencies, interest and specific business transactions. These transactions are described in full in the note on financial instruments.

Dividends €/000 19,698

The Shareholders' Meeting of Piaggio & C. S.p.A. of 16 April 2018 resolved to distribute a dividend of 5.5 eurocents per ordinary share. During April this year, therefore, dividends were distributed to a total value of €/000 19,698. Dividends totalling €/000 19,698 were paid in 2017.

	TOTAL AMOUNT		DIVIDEND PER SHARE	
	2018	2017	2018	2017
	€/000	€/000	€	€
Authorised and paid	19,698	19,698	0.055	0.055

Earnings reserve €/000 202,036

Capital and reserves of non-controlling interest €/000 (211)

The end of period figures refer to non-controlling interests in Aprilia Brasil Industria de Motociclos S.A.

46. Other components of the Statement of Comprehensive Income €/000 (3,928)

The figure is broken down as follows:

IN THOUSANDS OF EUROS	RESERVE FOR MEASUREMENT OF FINANCIAL INSTRUMENTS	GROUP TRANSLATION RESERVE	EARNINGS RESERVE	GROUP TOTAL	SHARE CAPITAL AND RESERVES ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	TOTAL OTHER COMPONENTS OF THE STATEMENT OF COMPREHENSIVE INCOME
As of 31 December 2018						
Items that will not be reclassified in the income statement						
Remeasurements of defined benefit plans			(1,019)	(1,019)		(1,019)
Total	0	0	(1,019)	(1,019)	0	(1,019)
Items that may be reclassified in the income statement						
Total translation gains (losses)		(3,052)		(3,052)	25	(3,027)
Portion of components of the Statement of Comprehensive Income of subsidiaries/associates valued with the equity method		(88)		(88)		(88)
Total profits (losses) on cash flow hedges	206			206		206
Total	206	(3,140)	0	(2,934)	25	(2,909)
Other components of the Statement of Comprehensive Income	**206**	**(3,140)**	**(1,019)**	**(3,953)**	**25**	**(3,928)**
As of 31 December 2017						
Items that will not be reclassified in the income statement						
Remeasurements of defined benefit plans			1,274	1,274		1,274
Total	0	0	1,274	1,274	0	1,274
Items that may be reclassified in the income statement						
Total translation gains (losses)		(9,742)		(9,742)	69	(9,673)
Portion of components of the Statement of Comprehensive Income of subsidiaries/associates valued with the equity method		(609)		(609)		(609)
Total profits (losses) on cash flow hedges	68			68		68
Total	68	(10,351)	0	(10,283)	69	(10,214)
Other components of the Statement of Comprehensive Income	**68**	**(10,351)**	**1,274**	**(9,009)**	**69**	**(8,940)**

The tax effect relative to other components of the Statement of Comprehensive Income is broken down as follows:

	AS OF 31 DECEMBER 2018			AS OF 31 DECEMBER 2017		
	GROSS VALUE	TAX (EXPENSE) / BENEFIT	NET VALUE	GROSS VALUE	TAX (EXPENSE) / BENEFIT	NET VALUE
IN THOUSANDS OF EUROS						
Remeasurements of defined benefit plans	(1,273)	254	(1,019)	1,539	(265)	1,274
Total translation gains (losses)	(3,027)		(3,027)	(9,673)		(9,673)
Portion of components of the Statement of Comprehensive Income of subsidiaries/associates valued with the equity method	(88)		(88)	(609)		(609)
Total profits (losses) on cash flow hedges	271	(65)	206	89	(21)	68
Other components of the Statement of Comprehensive Income	**(4,117)**	**189**	**(3,928)**	**(8,654)**	**(286)**	**(8,940)**

H) OTHER INFORMATION

47. Share-based incentive plans

As of 31 December 2018, there were no incentive plans based on financial instruments.

48. Fees for Directors, Statutory Auditors and Key Managers

For a complete description and analysis of fees of Directors and Statutory Auditors, reference is made to the remuneration report available from the registered office, and on the Company's website in the section "Governance". At present, the Company has not identified any Key Senior Managers.

IN THOUSANDS OF EUROS	2018
Directors	2,172
Statutory auditors	155
Total fees	**2,327**

49. Information on related parties

Revenues, costs, payables and receivables as of 31 December 2018 involving parent companies, subsidiaries and affiliated companies refer to the sale of goods or services which are a part of normal operations of the Group.
Transactions are carried out at normal market values, depending on the characteristics of the goods and services provided.
Information on transactions with related parties, including information required by Consob in its communication of 28 July 2006 n. DEM/6064293, is reported below.
The procedure for transactions with related parties, pursuant to article 4 of Consob Regulation no. 17221 of 12 March 2010 as amended, approved by the Board on 30 September 2010, is published on the institutional site of the Issuer www.piaggiogroup.com, under Governance.

Relations with Parent Companies

Piaggio & C. S.p.A. is controlled by the following companies:

DESIGNATION	REGISTERED OFFICE	TYPE	% OF OWNERSHIP	
			AS OF 31 DECEMBER 2018	AS OF 31 DECEMBER 2017
IMMSI S.p.A.	Mantova - Italy	Direct parent company	50.6287	50.0703
Omniaholding S.p.A.	Mantova - Italy	Final parent company	0.0215	0.1370

Piaggio & C. S.p.A. is subject to the management and coordination of IMMSI S.p.A. pursuant to article 2497 et seq. of the Italian Civil Code. During the period, management and coordination comprised the following activities:

- as regards mandatory financial disclosure, and in particular the financial statements and reports on operations of the Group, IMMSI has produced a group manual containing the accounting standards adopted and options chosen for implementation, in order to give a consistent and fair view of the consolidated financial statements.

- IMMSI has defined procedures and times for preparing the budget and in general the business plan of Group companies, as well as final management analysis to support management control activities.

- IMMSI has also provided services for the development and management of Company assets, with a view to optimising resources within the Group, and provided property consultancy services and other administrative services.

- IMMSI has provided consultancy services and assistance for the Company and subsidiaries concerning extraordinary financing operations, organisation, strategy and coordination, as well as services intended to optimise the financial structure of the Group.

In 2016, for a further three years, the Parent Company signed up to the National Consolidated Tax Mechanism pursuant to articles 117 to 129 of the Consolidated Income Tax Act (T.U.I.R.) of which IMMSI S.p.A. is the consolidating company, and to whom other IMMSI Group companies report to. The consolidating company determines a single global income equal to the algebraic sum of taxable amounts (income or loss) realised by individual companies that opt for this type of group taxation.
The consolidating company recognises a receivable from the consolidated company which is equal to the corporate tax to be paid on the taxable income transferred by the latter. Whereas, in the case of companies reporting tax losses, the consolidating company recognises a payable related to corporate tax on the portion of loss actually used to determine global overall income, or calculated as a decrease of overall income for subsequent tax periods, according to the procedures in article 84, based on the criterion established by the consolidation agreement.
Under the National Consolidated Tax Mechanism, companies may, pursuant to article 96 of Presidential Decree no. 917/86, allocate the excess of interest payable which is not deductible to one of the companies so that, up to the excess of Gross Operating Income produced in the same tax period by other subjects party to the consolidation, the amount may be used to reduce the total income of the Group.

Piaggio & C. S.p.A. has undertaken a rental agreement for offices owned by Omniaholding S.p.A.. This agreement, signed in normal market conditions, was previously approved by the Related Parties Transactions Committee, as provided for by the procedure for transactions with related parties adopted by the Company.

Piaggio Concept Store Mantova Srl has a lease contract for its sales premises and workshop with Omniaholding S.p.A.. This agreement was signed in normal market conditions.

In the period from 1 January to 9 May 2018, Omniaholding S.p.A. held bonds of Piaggio & C. for a value of €2.9 million, accruing relative interest.
At present, it no longer holds bonds of Piaggio & C..

Pursuant to article 2.6.2, section 13 of the Regulation of Stock Markets organised and managed by Borsa Italiana S.p.A., the conditions as of article 37 of Consob regulation no. 16191/2007 exist.

Transactions with Piaggio Group companies

The main relations with subsidiaries, eliminated in the consolidation process, refer to the following transactions:

Piaggio & C. S.p.A.

- sells vehicles, spare parts and accessories to sell on respective markets, to:
  - Piaggio Hrvatska
  - Piaggio Hellas
  - Piaggio Group Americas
  - Piaggio Vehicles Private Limited
  - Piaggio Vietnam
  - Piaggio Concept Store Mantova

- sells components to:
  - Piaggio Vehicles Private Limited
  - Piaggio Vietnam

- grants licences for rights to use the brand and technological know how to:
  - Piaggio Vehicles Private Limited
  - Piaggio Vietnam

- provides support services for scooter and engine industrialisation to:
  - Piaggio Vehicles Private Limited
  - Piaggio Vietnam

- provides support services for staff functions to other Group companies;
- issues guarantees for the Group's subsidiaries, for medium-term loans.

Piaggio Vietnam sells vehicles, spare parts and accessories, which it has manufactured in some cases, for sale on respective markets, to:
- Piaggio Indonesia
- Piaggio Group Japan
- Piaggio & C. S.p.A.
- Foshan Piaggio Vehicles Tecnologies R&D

Piaggio Vehicles Private Limited sells vehicles, spare parts and accessories, for sale on respective markets, and components and engines to use in manufacturing, to Piaggio & C. S.p.A..

Piaggio Hrvatska, Piaggio Hellas, Piaggio Group Americas and Piaggio Vietnam
- distribute vehicles, spare parts and accessories purchased by Piaggio & C. on their respective markets.

Piaggio Indonesia and Piaggio Group Japan
- provide a vehicle, spare part and accessory distribution service to Piaggio Vietnam for their respective markets.

Piaggio France, Piaggio Deutschland, Piaggio Limited, Piaggio España and Piaggio Vespa
- provide a sales promotion service and after-sales services to Piaggio & C. S.p.A. for their respective markets.

Piaggio Asia Pacific
- provides a sales promotion service and after-sales services to Piaggio Vietnam in the Asia Pacific region.

Piaggio Group Canada
- provides a sales promotion service and after-sales services to Piaggio Group Americas in Canada.

Foshan Piaggio Vehicles Tecnologies R&D provides to:
- Piaggio & C. S.p.A.:
  - component and vehicle design/development service;
  - scouting of local suppliers;

- Piaggio Vietnam:
  - scouting of local suppliers;
  - a distribution service for vehicles, spare parts and accessories on its own market.

Piaggio Advanced Design Center:
- provides a vehicle and component research/design/development service to Piaggio & C. S.p.A.

Aprilia Racing:
- a racing team management service;
- vehicle design service to Piaggio & C..

Relations between Piaggio Group companies and JV Zongshen Piaggio Foshan Motorcycle Co. Ltd.

Main intercompany relations between Piaggio Group companies and JV Zongshen Piaggio Foshan Motorcycle Co. Ltd, refer to the following transactions:

Piaggio & C. S.p.A.
- grants licences for rights to use the brand and technological know how to Zongshen Piaggio Foshan Motorcycle Co. Ltd.

Foshan Piaggio Vehicles Tecnologies R&D
- sells vehicles to Zongshen Piaggio Foshan Motorcycle Co. Ltd. for sale on the Chinese market.

Zongshen Piaggio Foshan Motorcycle Co. Ltd
- sells vehicles, spare parts and accessories, which it has manufactured in some cases, to the following companies for sale on their respective markets:
  - Piaggio Vietnam
  - Piaggio Vehicles Private Limited
  - Piaggio & C. S.p.A.

The table below summarises relations described above and financial relations with parent companies, subsidiaries and affiliated companies as of 31 December 2018 and relations during the year, as well as their overall impact on financial statement items.

AS OF 31 DECEMBER 2018	FONDAZIONE PIAGGIO	ZONGSHEN PIAGGIO FOSHAN	IMMSI AUDIT	PONTECH - PONTEDERA & TECNOLOGIA	IS MOLAS	STUDIO GIRELLI	TREVI	OMNIA HOLDING	IMMSI	TOTAL	% OF ACCOUNTING ITEM
IN THOUSANDS OF EUROS											
Income statement											
Revenues from sales		2,772								2,772	0.20%
Costs for materials		(20,026)								(20,026)	2.39%
Costs for services	(4)		(820)		(11)	(34)	(19)		(1,246)	(2,134)	1.06%
Insurance									(35)	(35)	0.88%
Leases and rentals								(228)	(1,420)	(1,648)	9.44%
Other operating income		343	28						52	423	0.37%
Other operating costs		(79)	(5)						(13)	(97)	0.48%
Write-down/Impairment of investments		459		15						474	98.34%
Financial income									17	17	0.22%
Borrowing costs								(82)		(82)	0.25%
Taxes									3,808	3,808	N.A.
Assets											
Other non-current receivables	94									94	0.57%
Current trade receivables		1,252							12	1,264	1.46%
Other current receivables		1,034	23						14,205	15,262	45.55%
Liabilities											
Current trade payables	1	6,671	50		4	16	8	39	1,613	8,402	1.94%
Other current payables	5	31							6,689	6,725	13.95%

50. Contract commitments and guarantees

Contract commitments of the Piaggio Group are summarised based on their expiry.

IN THOUSANDS OF EUROS	IN 1 YEAR	BETWEEN 2 AND 5 YEARS	AFTER 5 YEARS	TOTAL
Operating leases	9,869	16,981	2,133	**28,983**
Other commitments	6,281	5,588	190	**12,059**
Total	**16,150**	**22,569**	**2,323**	**41,042**

The main guarantees issued by banks on behalf of Piaggio & C. S.p.A in favour of third parties are listed below:

TYPE	AMOUNT €/000
A guarantee of BCC-Fornacette issued to Pisa Customs Authorities for handling Piaggio goods at the Pisana docks and at Livorno Port	200
Guarantee of BCC-Fornacette issued in favour of Poste Italiane – Rome to guarantee contract obligations for the supply of vehicles	1,321
Guarantee of BCC-Fornacette issued in favour of Motoride Spa to reimburse VAT following the deductible tax surplus	298
Guarantee of Banco di Brescia issued to the local authorities of Scorzè, to guarantee payment of urbanisation and construction charges relative to the Scorzè site	166
Guarantee of Banca Intesa San Paolo issued to the Ministry of the Interior of Algeria, to guarantee contract obligations for the supply of vehicles	140
Guarantee of Banca Intesa San Paolo issued to the Ministry of the Defense of Algeria, to guarantee contract obligations for the supply of vehicles	158

51. Disputes

Canadian Scooter Corp. (CSC), sole distributor of Piaggio for Canada, summoned Piaggio & C. S.p.A., Piaggio Group Americas Inc. and Nacional Motor S.A to appear before the Court of Toronto (Canada) in August 2009 to obtain compensation for damages sustained due to the alleged infringement of regulations established by Canadian law on franchising (the Arthur Wishart Act). The proceedings have been suspended at present, as attempts at settlement are still pending, due to no action being taken by the other party. Piaggio is assessing the possibility of filing a petition for an "order to dismiss" the proceedings, due to inactivity.

In 2010, Piaggio took action to establish an arbitration board through the Arbitration Chamber of Milan, for a ruling against some companies of the Case New Holland Group (Italy, Netherlands and the USA), to recover damages under contractual and non-contractual liability relating to the execution of a supply and development contract of a new family of utility vehicles (NUV). In the award notified to the parties on 3 August 2012, the Board rejected the claims made by the Company. The Company appealed against this award before the Appeal Court of Milan, which established the first hearing for 4 June 2013. The hearing for closing arguments set for 12 January 2016 was adjourned to 26 January 2016. With the ruling of 8 June 2016, the Court of Appeal of Milan rejected Piaggio's appeal. The Company filed an appeal with the Court of Cassation.

Da Lio S.p.A., by means of a complaint received on 15 April 2009, summoned the Parent Company before the Court of Pisa to claim compensation for the alleged damages sustained for various reasons as a result of the termination of supply relationships. The Company appeared in court requesting the rejection of all opposing requests. Da Lio requested a joinder with the opposition concerning the injunction obtained by Piaggio to return the moulds retained by the supplier at the end of the supply agreement. Judgements were considered and a ruling issued pursuant to article 186-ter of the Italian Code of Civil Proceedings, on 7 June 2011, ordering Piaggio to pay the sum of Euro 109,586.60, plus interest relative to sums which were not disputed. During 2012, testimonial evidence was presented. After reaching a decision at the end of testimonial evidence, the Judge admitted a technical/accounting court-appointed expert requested by Da Lio to quantify the amount of interest claimed by Da Lio and value of stock. The technical appraisal was completed at the end of 2014. At the hearing of 12 February, the Judge arranged for a mediation hearing for 23 April 2015. Following the hearing and in the absence of conciliation, the case was adjourned to 23 September 2016 for closing arguments and was therefore ruled on. However, the Court of Pisa had to subsequently reassign the case, and after the interruption, the newly appointed Judge decided to re-examine the proceedings and has set the hearing for closing arguments. The parties submitted their closing arguments again, exchanging relative pleadings and answer briefs. The case is pending a decision.

In June 2011 Elma srl, a Piaggio dealer since 1995, started two separate proceedings against the Parent Company, claiming the payment of approximately €2 million for alleged breach of the sole agency ensured by Piaggio for the Rome area and an additional €5 million as damages for alleged breach and abuse of economic dependence by the Company. Piaggio opposed the proceedings undertaken by Elma, fully disputing its claims and requesting a ruling for Elma to settle outstanding sums owing of approximately €966,000.
During the case, Piaggio requested the enforcement of bank guarantees that ensured against the risk of default by the dealer issued in its favour by three banks. Elma attempted to stop enforcement of the guarantees with preventive proceedings at the Court of Pisa (Pontedera section): the proceedings ended in favour of Piaggio that collected the amounts of the guarantees (over €400,000). Trial proceedings took place and a hearing was held on 24 April 2013 to examine evidence. After reaching a decision at the aforesaid hearing, the Judge rejected requests for preliminary examination of Elma and set the hearing for 17 December 2015 for closing arguments, which was adjourned to 3 March 2016 and was then not held as the judge was transferred. The case was reassigned to a new Judge, who set the hearing for 19 July 2018, which was adjourned on initiative of the Court to 4 October 2018 and then to 10 January 2019. In the latter hearing, although the parties had already filed their closing arguments, the Judge adjourned the case, for closing arguments to be made, to the hearing of 9 April 2019.
As regards the matter, Elma has also brought a case against a former senior manager of the Company before the Court of Rome, claiming compensation for damages: Piaggio appeared in the proceedings, requesting, among other things, that the case be moved to the Court of Pisa. At the hearing of 27 January 2014, the Judge ruled on the preliminary exceptions and did not admit preliminary briefs. The hearing for closing arguments set for 21 December 2015 and subsequently adjourned, was not held as the Judge, on petition of Elma, re-opened the preliminary investigation, admitting testimonial evidence and setting the hearing for 25 May 2016. On this date, examination of the witnesses began and the hearing was adjourned to 24 October 2016 to continue the preliminary investigation. The Judge set the hearing for 11 April 2017 to reach a settlement between the parties, which was not successful. The Judge therefore admitted an accounting expert requested by Elma, although with a far more limited scope than the petition filed by the counterparty, adjourning the case to the hearing of 9 October 2018 for closing arguments. The expert's appraisal was filed in October 2018. The parties exchanged their closing arguments and respective answer briefs. The case is pending a decision.

In a complaint received on 29 May 2007, Gammamoto S.r.l. in liquidation, an Aprilia licensee in Rome, started a legal action against the Parent Company before the Court of Rome for contractual and non-contractual liability. The Company fully opposed the injunction disputing the validity of Gammamoto's claims and objecting to the lack of jurisdiction of the Judge in charge. The Judge, accepting the petition formulated by the Company, declared its lack of jurisdiction with regards to the dispute. Gammamoto has continued proceedings through the Court of Venice. The Judge admitted testimonial evidence and evidence for examination requested by the parties, establishing the hearing for the preliminary investigation on 12 November 2012. After defining the closing arguments of the hearing of 26 June 2013, the terms for final statements and relative replies were granted, and the case was not ruled on. The Court of Venice issued a ruling in favour of Piaggio, filed on 17 February 2014. Gammamoto appealed and at the first hearing on 23 October 2014 the Court decided to rule without proceeding with the preliminary investigation requested by the opposing party, and in particular without ordering a technical appraisal. The hearing for closing arguments, set for 14 January 2019, after which statements the terms for rejoinders and replications have been arranged. The case is pending a decision.

The company TAIZHOU ZHONGNENG summoned Piaggio before the Court of Turin, requesting the annulment of the Italian part of the 3D trademark registered in Italy protecting the form of the Vespa, as well as a ruling denying the offence of the counterfeiting of the 3D trademark in relation to scooter models seized by the Guardia di Finanza [Italian tax police] at the 2013 EICMA trade show, based on the petition filed by Piaggio, in addition to compensation for damages. At the first hearing for the parties to appear, set for 4 February 2015 and adjourned to 5 February 2015, the Judge lifted reservations, arranging for a technical appraisal to establish the validity of the Vespa 3D trademark and the infringement or otherwise of Znen scooter models, setting the hearing for the court-appointed expert to be sworn in on 18 March 2015, which was adjourned to 29 May 2015. At that hearing, the Judge set the deadline for filing the final expert's appraisal for 10 January 2016, and the discussion hearing for 3 February 2016. During this hearing, the

Judge, considering the preliminary investigation as completed, set the hearing for closing arguments for 26 October 2016. In a ruling of 6 April 2017, the Court of Turin upheld in full the validity of the 3D Vespa mark of Piaggio, and the counterfeiting of said by the "VES" scooter by Znen.
The Court of Turin also recognised the protection of Vespa in accordance with copyright, confirming the creative nature and artistic value of its form, declaring that the scooter "VES" by Znen infringes Piaggio copyright. The other party appealed against the sentence at the Appeal Court of Turin, where the first hearing took place on 24 January 2018. The case was adjourned to the hearing of 13 June 2018 for the closing arguments, after which statements of defence and answer briefs were exchanged. The case is pending a decision.

In a writ of 27 October 2014 Piaggio summoned the companies PEUGEOT MOTOCYCLES ITALIA S.p.A., MOTORKIT s.a.s. di Turcato Bruno e C., GI.PI. MOTOR di Bastianello Attilio and GMR MOTOR s.r.l. before the Court of Milan to obtain the recall of Peugeot "Metropolis" motorcycles from the market, and to establish the infringement and counterfeiting of some European patents and designs owned by Piaggio, as well as a ruling for the compensation for damages for unfair competition, and the publication of the ruling in some newspapers.
In the hearing for the first appearance of 4 March 2015, the judge set the deadline for filing statements pursuant to article 183.6 of the Italian Code of Civil Procedure and appointed an expert witness.
The hearing for swearing in the expert took place on 6 October 2015. On 23 December 2016, the expert submitted his provisional report to the parties and the final report was filed on 2 May 2017. The judge adjourned the case to the hearing of 28 February 2018 for closing arguments. At the hearing of 28 February 2018, the Judge ordered an addition to the expert's appraisal, filed on 20 June 2018 and set the deadlines for closing arguments and the exchange of final statements. The case is pending a decision.

Piaggio started a similar legal action against Peugeot Motocycles SAS before the Tribunal de Grande Instance in Paris. As a result of the Piaggio action ("Saisie Contrefaçon"), several documents were obtained by a bailiff and tests carried out to prove the infringement of the MP3 motorcycle by the Peugeot "Metropolis" motorcycle. The hearing took place on 8 October 2015 for the appointment of the expert, who will examine the findings of the Saisie Contrefaçon. On 3 February 2016 the hearing took place to discuss the preliminary briefs exchanged between the parties. The hearing to assess preliminary findings, set for 29 September 2016, was adjourned to 9 February 2017 and then to 6 September 2017. In February 2018, a preliminary expert's appraisal was filed defining documents based on which a ruling will be made on the counterfeiting alleged by Piaggio. Documents are being gathered and the appraisal is underway.

PEUGEOT MOTOCYCLES SAS summoned Piaggio to appear before the Court of Milan, claiming that the patent based on which Piaggio filed a claim for counterfeiting would be voidable, due to a previously existing Japanese patent. Piaggio appeared in court, claiming that the action taken by Peugeot could not proceed further and that the patent application referred to by Peugeot was irrelevant. During the hearing of 20 February 2018, the Judge established the deadlines for filing preliminary briefs and the case was adjourned to the hearing of 22 May 2018, after which an expert's appraisal was ordered, with the date of 15 January 2019 set for the filing. After the expert's appraisal was filed (confirming the validity of Piaggio's patent), and discussed during the hearing of 29 January 2019, the Judge requested further technical confirmations from the expert, establishing a deadline (15 April) by which Peugeot must request additions to the appraisal.

In November 2017, the Company filed two petitions with the Court of Beijing (People's Republic of China) on the infringement and counterfeiting of some marks ("Case 1") and designs ("Case 2") relative to the "Scarabeo" vehicle by Chinese companies which are part of Jincheng Group Co., Ltd. Following the above actions, the counterparty submitted a petition for invalidation (an administrative proceeding regarding the Chinese Patent Re-examination Board) of the registration of one of the two designs relative to an old model of the Scarabeo vehicle (no longer in production). The latter proceeding ended with the invalidation of the registration of the old Scarabeo design. Piaggio appealed against this decision, submitting a petition to suspend Case 2 pending the outcome of the petition against the invalidation. A hearing has yet to be set for Case 1, which is expected for the 2019.
The amounts allocated by the Company for the potential risks deriving from the current dispute appear to be consistent with the predictable outcome of the disputes.

As regards tax disputes involving the Parent Company Piaggio & C. S.p.A., two appeals are ongoing against two tax assessments notified to the Company and related to the 2002 and 2003 tax years respectively. These assessments originate from the Italian Revenue Agency accessing the Parent Company's offices in 2007, following information filed

in the report of verification issued in 2002 following a general verification.
The Parent Company obtained a favourable ruling concerning these assessments, in both the first and second instance, and with reference to both tax periods. The Italian Revenue Agency filed an appeal with the Court of Cassation and the Company filed related appeals against it on 27 May 2013, with reference to the tax litigation made related to the 2002 tax period, and on 10 March 2014, for the tax litigation made relative to the 2003 tax period. The dates for the hearings still have to be set.

Lastly, on 22 December 2017, Piaggio & C. S.p.A. received two notices of assessment issued by the Revenue Agency - Regional Department of Tuscany - Major Taxpayers Section - both relative to the 2012 tax period and concerning transfer pricing for corporate income tax and regional production tax purposes. As regards both notices, the Company, convinced of its reasons and in keeping with OECD guidelines and the Decree of 14 May 2018, and with no intention of tax instrumentalisation, started a cross-examination stage with the Assessing Department, submitting an application for control with acceptance on 23 January 2018, in order to reach a quick settlement with the Revenue Agency.
As no agreement has yet been reached with the Department, the Company filed an appeal with the Provincial Tax Commission of Florence on 11 June 2018 and 25 July 2018 (for the assessment notices concerning regional production tax and corporate income tax respectively), to prevent deadlines making the notices final, and a hearing was set for both cases for 29 April 2019 in order for the parties to reach a settlement.
The Company was also successful before the Income Tax Appellate Tribunal with reference to appeals filed against assessment orders received on completion of the assessment of income generated by Piaggio & C. S.p.A. in India during the 2009-2010 and 2010-2011 Indian tax periods, involving sums for approximately €1.2 million and €1.1 million respectively, including interest; the Indian tax authorities filed an appeal with the High Court against the decision taken in the first instance; a date for the hearing has yet to be set.
On 6 February 2019, a ruling was made by the Income Tax Appellate Tribunal in favour of the Company regarding its appeals against the assessment orders received following the assessments conducted for the 2011-2012 and 2012-2013 tax periods. The taxes and interest claimed by the Indian tax authorities for these tax periods amount to approximately €1 million and €0.9 million respectively.
In compliance with local laws, the Parent Company has already paid part of the amounts related to the appeals to the Indian tax authorities, for a total of €0.8 million; these amounts will be paid back to the Company if the rulings on the appeals are in its favour.
The Company has not considered allocating provisions for these disputes, in view of the positive opinions expressed by consultants appointed as counsel. Furthermore, based on the above mentioned opinions, the Company considers a favourable outcome of the rulings and subsequent reimbursement of amounts paid with reference to the Indian disputes as likely.

The main tax disputes of other Group companies concern Piaggio Vehicles PVT Ltd, PT Piaggio Indonesia, Piaggio France S.A. and Piaggio Hellas S.A.

With reference to the Indian subsidiary, some disputes concerning different tax years from 1998 to 2015 are ongoing related to direct and indirect tax assessments and for a part of which, considering positive opinions expressed by consultants appointed as counsel, provisions have not been made in the financial statements. The Indian company has already partly paid the amounts contested, as required by local laws, that will be paid back when proceedings are successfully concluded in its favour.

As regards PT Piaggio Indonesia, the Company appealed against the notice concerning transfer pricing for the 2015 period and is currently waiting for the date of the hearing to be set.

As regards the French company, a favourable ruling was issued in December 2012 by the Commission Nationale des Impots directes et des taxes sur le chiffre d'affaires, the decision-making body ruling prior to legal proceedings in disputes with the French tax authorities concerning a general audit of the 2006 and 2007 periods. The French tax authorities however upheld their claims against the Company, requesting payment of the amounts claimed and issuing related notices (one for withholding tax and the other for corporate income tax and VAT).
The Company appealed against the notices and appeals were filed against the findings on withholding tax and corporate income tax, before the Tribunal Administratif. Appeals were lodged against decisions taken against the Company on 7 September 2015 and 8 July 2016 before the Cour Administrative d'Appel de Versailles. Following the hearing on 23 January 2018, appeal judges issued a sentence in favour of the Company. The amount in question, equal to approximately €3.7 million, including interest, initially paid in full to the French tax authorities, was then reimbursed following the ruling handed down by the Cour Administrative d'Appel de Versailles. This last judgement was appealed against by the French tax authorities before the Conseil Etat and the Company is currently preparing relative briefs.

The Company did not consider it necessary to make provisions, in view of the positive indications from professionals appointed to act as counsel, also in view of the petition filed with the Court Administrative d'Appel de Versailles, and the ruling issued in favour of the Company by this Court.

On 8 April 2015, Piaggio Hellas S.A. received a Tax Report following a general assessment for the 2008 tax period, with findings for approximately €0.5 million, including sanctions. On 12 June 2015, the Company appealed against the report with the Tax Center – Dispute Resolution Department. Following the unfavourable outcome of this appeal, the Company appealed before the Administrative Court of Appeal, which ruled in favour of the local tax authorities in a ruling of 27 April 2017. The Company therefore appealed before the Supreme Court. The amount in question was paid in full to the Greek tax authorities; Based on positive opinions from professionals appointed as counsel, the Company considers a favourable outcome and subsequent reimbursement of amounts paid as likely.

52. Significant non-recurring events and operations

On 9 April 2018, the Parent Company exercised the call option of the debenture loan issued by the Company on 24 April 2014 for a total amount of €/000 250,000 and maturing on 30 April 2021. On 9 May, the remaining portion of this loan (equal to approximately € 168,497 million) was paid back at the price of 101.25%, after the finalisation of the exchange offer launched on 9 April.
The transaction resulted in the following being recognised in profit and loss for 2018:
- borrowing costs related to premiums paid to bond holders that did not take up to the exchange offer and for the exchange of outstanding securities and costs of the repaid loan not yet amortised (€3,530 thousand);
- financial income from the operation to change the original liability with a new bond issued at more favourable conditions for the issuer (€4,431 thousand).

The operation comes under significant non-recurrent transactions, as defined by CONSOB Communication no. DEM/6064293 of 28 July 2006. For 2017, no significant non-recurrent transactions were recorded.

53. Transactions arising from atypical and/or unusual transactions

During 2018 and 2017, the Group did not record any significant atypical and/or unusual transactions, as defined by CONSOB Communication DEM/6037577 of 28 April 2006 and DEM/6064293 of 28 July 2006.

54. Events occurring after the end of the period

No events to be reported occurred after the end of the period.

55. Authorisation for publication

This document was published on 22 March 2019 authorised by the Chairman and Chief Executive Officer.

Mantova, 25 February 2019

for the Board of Directors

Chairman and Chief Executive Officer
Roberto Colaninno

ATTACHMENTS

Piaggio Group companies

Companies and material investments of the Group are listed below.
The list presents the companies divided by type of control and method of consolidation.
The following are also shown for each company: the company name, the registered office, the country of origin and the share capital in the original currency, in addition to the percentage held by Piaggio & C. S.p.A. or by other subsidiaries. It should be noted that the percentage share of ownership corresponds to the percentage share of the voting rights exercised at Ordinary General Meetings of Shareholders.

List of companies included in the scope of consolidation on a line-by-line basis as of 31 December 2018

COMPANY NAME	REGISTERED OFFICE	COUNTRY	SHARE CAPITAL	CURRENCY	% OF THE HOLDING			% TOTAL INTEREST
					DIRECT	INDIRECT	MEANS	
Parent company:								
Piaggio & C. S.p.A.	Pontedera (Pisa)	Italy	207,613,944.37	Euro				
Subsidiaries:								
Aprilia Brasil Industria de Motociclos S.A.	Manaus	Brazil	2,020,000.00	R$		51%	Aprilia World Service Holding do Brasil Ltda	51%
Aprilia racing s.r.l.	Pontedera (Pisa)	Italy	250,000.00	Euro	100%			100%
Aprilia World Service Holding do Brasil Ltda.	São Paulo	Brazil	2,028,780.00	R$		99.999950709%	Piaggio Group Americas Inc	99.999950709%
Foshan Piaggio Vehicles Technology Research and Development Co Ltd	Foshan City	China	10,500,000.00	RMB		100%	Piaggio Vespa B.V.	100%
Nacional Motor S.A.	Barcelona	Spain	60,000.00	Euro	100%			100%
Piaggio Advanced Design Center Corp.	California	USA	100,000.00	USD	100%			100%
Piaggio Asia Pacific PTE Ltd.	Singapore	Singapore	100,000.00	sin$		100%	Piaggio Vespa B.V.	100%
Piaggio China Co. LTD	Hong Kong	China	12,500,000 auth. capital (12,120,000 subscribed and paid up)	USD	100%			100%
Piaggio Concept Store Mantova S.r.l.	Mantova	Italy	100,000.00	Euro	100%			100%
Piaggio Deutschland GmbH	Düsseldorf	Germany	250,000.00	Euro		100%	Piaggio Vespa B.V.	100%
Piaggio España S.L.U.	Alcobendas	Spain	426,642.00	Euro	100%			100%
Piaggio Fast Forward Inc.	Boston	USA	12,738	USD	84%			84%
Piaggio France S.A.S.	Clichy Cedex	France	250,000.00	Euro		100%	Piaggio Vespa B.V.	100%
Piaggio Group Americas Inc	New York	USA	2,000.00	USD		100%	Piaggio Vespa B.V.	100%
Piaggio Group Canada Inc.	Toronto	Canada	10,000.00	CAD$		100%	Piaggio Group Americas Inc	100%
Piaggio Group Japan	Tokyo	Japan	99,000,000.00	Yen		100%	Piaggio Vespa B.V.	100%
Piaggio Hellas S.A.	Athens	Greece	1,004,040.00	Euro		100%	Piaggio Vespa B.V.	100%
Piaggio Hrvatska D.o.o.	Split	Croatia	400,000.00	HKD		100%	Piaggio Vespa B.V.	100%
Piaggio Limited	Bromley Kent	United Kingdom	250,000.00	GBP	0.0004%	99.9996%	Piaggio Vespa B.V.	100%
Piaggio Vehicles Private Limited	Maharashtra	India	340,000,000.00	INR	99.9999971%	0.0000029%	Piaggio Vespa B.V.	100%
Piaggio Vespa B.V.	Breda	Holland	91,000.00	Euro	100%			100%
Piaggio Vietnam Co Ltd	Hanoi	Vietnam	64,751,000,000.00	VND	63.5%	36.5%	Piaggio Vespa B.V.	100%
PT Piaggio Indonesia	Jakarta	Indonesia	4,458,500,000.00	Rupiah	1%	99%	Piaggio Vespa B.V.	100%

List of companies included in the scope of consolidation with the equity method as of 31 December 2018

COMPANY NAME	REGISTERED OFFICE	COUNTRY	SHARE CAPITAL	CURRENCY	% OF THE HOLDING			% TOTAL INTEREST
					DIRECT	INDIRECT	MEANS	
Zongshen Piaggio Foshan Motorcycle Co. Ltd	Foshan City	China	255,942,515.00	RMB	32.50%	12.50%	Piaggio China Co. LTD	45%

List of investments in affiliated companies as of 31 December 2018

COMPANY NAME	REGISTERED OFFICE	COUNTRY	SHARE CAPITAL	CURRENCY	% OF THE HOLDING			% TOTAL INTEREST
					DIRECT	INDIRECT	MEANS	
Depuradora D'Aigues de Martorelles Soc. Coop. Catalana Limitada	Barcelona	Spain	60,101.21	Euro		22%	Nacional Motor S.A.	22%
Immsi Audit S.c.a.r.l.	Mantova	Italy	40,000.00	Euro	25%			25%
Pont - Tech, Pontedera & Tecnologia S.c.r.l.	Pontedera (Pisa)	Italy	884,160.00	Euro	20.45%			20.45%
S.A.T. Societé d'Automobiles et Triporteurs S.A.	Tunis	Tunisia	210,000.00	TND		20%	Piaggio Vespa B.V.	20%

Information pursuant to article 149 duodecies of the Consob Regulation on Issuers

The following statement was prepared pursuant to article 149 duodecies of the Consob Regulation on Issuers and indicates the fees for 2018 for auditing services and other services provided by the same independent auditors and entities belonging to the auditing firm's network.

TYPE OF SERVICE	SUBJECT PROVIDING THE SERVICE	RECIPIENT	FEES FOR 2018
FIGURES IN EURO			
Auditing services	PWC	Parent Company Piaggio & C	367,225
	PWC	Subsidiaries	110,043
	PWC network	Subsidiaries	323,424
Auditing services for the NFS and CSR Report	PWC	Parent Company Piaggio & C	51,000
Certification services	PWC	Parent Company Piaggio & C	352,000
	PWC network	Subsidiaries	117,658
Other services	PWC	Parent Company Piaggio & C	152,000
	PWC	Subsidiaries	37,500
Total			**1,510,850**

N.B.: Sums of subsidiaries operating in currencies other than the euro and agreed on in a local currency have been converted to the average exchange rate of 2018.


MOTOPLEX

CERTIFICATION OF THE CONSOLIDATED FINANCIAL STATEMENTS PURSUANT TO ARTICLE 154-BIS OF ITALIAN LEGISLATIVE DECREE NO. 58/98

1. The undersigned Roberto Colaninno (Chairman and Chief Executive Officer) and Alessandra Simonotto (Appointed Executive) of Piaggio & C. S.p.A. hereby certify, also in consideration of article 154-bis, sections 3 and 4, of Legislative Decree no. 58 of 24 February 1998:
   - the appropriateness with regard to the company's characteristics and
   - the actual application of administrative and accounting procedures for the formation of the Consolidated Financial Statements as of 31 December 2018.
2. With regard to the above, no relevant aspects are to be reported.

3. Moreover

   3.1 the Consolidated Financial Statements:

   a. have been prepared in compliance with the international accounting standards endorsed by the European Community pursuant to regulation (EC) no. 1606/2002 of the European Parliament and Council of 19 July 2002;

   b. correspond to accounting records;

   c. give a true and fair view of the consolidated statement of financial position and results of operations of the Issuer and of all companies included in the scope of consolidation;

   3.2 The Report on Operations includes reliable analysis of the trend of operations and operating results, as well as the situation of the Issuer and companies included in the scope of consolidation, as well as a description of main risks and uncertainties to which they are exposed.

Date: 25 February 2019

Chairman and Chief Executive Officer | **Executive in charge**

REPORT OF THE INDEPENDENT AUDITORS ON THE CONSOLIDATED FINANCIAL STATEMENTS

pwc

Independent auditor's report

in accordance with article 14 of Legislative Decree No. 39 of 27 January 2010 and article 10 of Regulation (EU) No. 537/2014

To the shareholders of
Piaggio & C. SpA

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Piaggio Group (the Group), which comprise the consolidated statement of financial position as of 31 December 2018, the consolidated income statement, consolidated statement of comprehensive income, changes in consolidated shareholders' equity, consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as of 31 December 2018, and of the result of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/05.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of this report. We are independent of Piaggio & C. SpA (the Company) pursuant to the regulations and standards on ethics and independence applicable to audits of financial statements under Italian law. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were

PricewaterhouseCoopers SpA

Sede legale e amministrativa: Milano 20149 Via Monte Rosa 91 Tel. 0277851 Fax 027785240 Cap. Soc. Euro 6.890.000,00 i.v., C.F. e P.IVA e Reg. Imp. Milano 12979880155 Iscritta al n° 119644 del Registro dei Revisori Legali - Altri Uffici: **Ancona** 60131 Via Sandro Totti 1 Tel. 0712132311 - **Bari** 70122 Via Abate Gimma 72 Tel. 0805640211 - **Bologna** 40126 Via Angelo Finelli 8 Tel. 0516186211 - **Brescia** 25123 Via Borgo Pietro Wuhrer 23 Tel. 0303697501 - **Catania** 95129 Corso Italia 302 Tel. 0957532311 - **Firenze** 50121 Viale Gramsci 15 Tel. 0552482811 - **Genova** 16121 Piazza Piccapietra 9 Tel. 01029041 - **Napoli** 80121 Via dei Mille 16 Tel. 08136181 - **Padova** 35138 Via Vicenza 4 Tel. 049873481 - **Palermo** 90141 Via Marchese Ugo 60 Tel. 091349737 - **Parma** 43121 Viale Tanara 20/A Tel. 0521275911 - **Pescara** 65127 Piazza Ettore Troilo 8 Tel. 0854545711 - **Roma** 00154 Largo Fochetti 29 Tel. 06570251 - **Torino** 10122 Corso Palestro 10 Tel. 011556771 - **Trento** 38122 Viale della Costituzione 33 Tel. 0461237004 - **Treviso** 31100 Viale Felissent 90 Tel. 0422696911 - **Trieste** 34125 Via Cesare Battisti 18 Tel. 0403480781 - **Udine** 33100 Via Poscolle 43 Tel. 043225789 - **Varese** 21100 Via Albuzzi 43 Tel. 0332285039 - **Verona** 37135 Via Francia 21/C Tel. 0458263001 - **Vicenza** 36100 Piazza Pontelandolfo 9 Tel. 0444393311

www.pwc.com/it

addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matters	*Auditing procedures performed in response to key audit matters*
Verification of the capitalisation criteria related to investments in development costs, industrial patent and intellectual property rights	
Note D17) to the consolidated financial statements "Intangible assets" During the financial year 2018, the Group made investments amounting to Euro 77.5 million, mainly in relation to the study of new vehicles and new engines which will feature as the future products in the 2018-2020 range. The net book value at 31 December 2018 of development costs and industrial patent rights amounted to Euro 172.7 million, equal to approximately 11 per cent of total assets. Given the size of the annual investments and the high degree of professional judgement required to verify the compliance with the requirements of international accounting standard "IAS 38 – intangible assets" adopted by the European Union, we considered it necessary to focus on this specific financial statement area. Management's main estimates relate to the technical feasibility and the availability of adequate resources, including financial resources, to complete the product being developed, the intention to complete the product for sale, as well as the verification of the existence of future cash flows from the sale of the product that are adequate to support the future recoverability of the costs capitalised and recorded in the financial statements.	We obtained an understanding and evaluated the procedure adopted by the Piaggio Group for capitalising development costs, industrial patent and intellectual property rights. We then obtained details of the costs capitalised by project, and analysed, on a sample basis, the increases and decreases during the year with particular attention to compliance with the requirements of international accounting standard "IAS 38 – Intangible Assets" adopted by the European Union for the capitalisation of internally generated intangible assets. Our procedures included discussions with management aimed at understanding the characteristics of the various projects. We also verified, on a sample basis, the estimated future cash flows and management's subsequent monitoring of the estimated future cash flows, which occurs at least once a year.
Assessment of the recoverability of goodwill	
Note D17) to the consolidated financial statements "Intangible assets"	We obtained an understanding of and evaluated the allocation process of goodwill to the cash generating units on the basis of

Goodwill, which amounted to Euro 447 million as of 31 December 2018, is considered a significant item, equal to approximately 28 per cent of total assets.
Given the complex valuation processes in respect of a number of variables and the high degree of professional judgement required for this financial statement area, we paid special attention to management's estimates relating to the recoverability of the goodwill recognised in the financial statements in accordance with international accounting standard "IAS 36 – Impairment of Assets" adopted by the European Union. Management calculated the present value of expected future cash flows to determine the recoverable amount of each cash generating unit identified to which goodwill was allocated, to be compared with the carrying amount of assets and liabilities attributed to the respective cash generating unit.
In this respect, the main activities carried out by management were related to the confirmation of the allocation of goodwill to the cash generating units considering the current organisational structure, the estimate of the expected future cash flows, the methods used to calculate the discount rate and the steady growth rate of the financial cash flows beyond the reference time period.

the current organisational structure, which did not change compared with the previous years. We also obtained an understanding of and evaluated the estimates made by management with regard to the expected cash flows over a four-year period, inferred from budget data for 2019 and supplemented by forecast data for 2020-2022 (the "Plan"). As part of this process we examined sector studies and reviews.
Furthermore, with the support of PwC network experts, we retraced the methods used to calculate the discount rate and of the steady growth rate of financial cash flows beyond the time period of the Plan approved by management. The analysis was specifically focused on the cash generating units identified by management, verifying also the correct determination of the carrying amount of assets and liabilities attributed to each single cash generating unit. With the support of PwC network experts, we conducted sensitivity analyses in relation to the significant assumptions adopted by management in order to determine whether there was any impairment of goodwill.
Finally, we verified the information included in the explanatory notes to the consolidated financial statements as of 31 December 2018.

Assessment of the recoverability of deferred tax assets

Note D20) to the consolidated financial statements "Deferred tax assets"

Deferred tax assets in the consolidated financial statements of the Piaggio Group as of 31 December 2018 amounted to Euro 59.2 million and primarily related to temporary differences mainly due to provisions, as well as prior years tax losses.
The parent company Piaggio & C. SpA joined the National Consolidated Tax Convention of the IMMSI Group, whose consolidating entity is IMMSI SpA.

Our audit procedures consisted of assessing the reasonableness of the estimates made by management in forecasting the future taxable profit of the Piaggio Group companies, included in the plan approved by the Board of Directors on 21 February 2019.
These activities were carried out with the involvement of PwC network experts.
We also obtained the findings of the work performed by the Group auditor on the parent company IMMSI SpA in respect of the recoverability of deferred tax assets of all companies included in the National

pwc

In addition to the future results expected by the Piaggio Group, the recoverability of deferred tax assets also depends on the results of all companies that are part of the National Consolidated Tax Convention of the IMMSI Group. Assessing the recoverability of deferred tax assets is a key audit matter given the significance of the amounts and the complexity of the valuation process which requires significant accounting estimates to be made by the management of the Piaggio Group and of the IMMSI Group, with the objective of forecasting the future taxable results of all companies that are part of the National Consolidated Tax Convention of the IMMSI Group.	Consolidated Tax Convention of the IMMSI Group.

Responsibilities of the Directors and the Board of Statutory Auditors for the Consolidated Financial Statements

The directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/05 and, in the terms prescribed by law, for such internal control as they determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

The directors are responsible for assessing the Group's ability to continue as a going concern and, in preparing the consolidated financial statements, for the appropriate application of the going concern basis of accounting, and for disclosing matters related to going concern. In preparing the consolidated financial statements, the directors use the going concern basis of accounting unless they either intends to liquidate the parent company Piaggio & C. SpA or to cease operations, or have no realistic alternative but to do so.

The board of statutory auditors is responsible for overseeing, in the terms prescribed by law, the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

As part of an audit conducted in accordance with International Standards on Auditing (ISA Italia), we exercised professional judgement and maintained professional scepticism throughout the audit. Furthermore:

- We identified and assessed the risks of material misstatement of the consolidated financial statements, whether due to fraud or error; we designed and performed audit procedures responsive to those risks; we obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- We obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- We evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by directors;
- We concluded on the appropriateness of directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- We evaluated the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- We obtained sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion on the consolidated financial statements.

We communicated with those charged with governance, identified at an appropriate level as required by ISA Italia regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identified during our audit.

We also provided those charged with governance with a statement that we complied with the regulations and standards on ethics and independence applicable under Italian law and communicated with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determined those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We described these matters in our auditor's report.

Additional Disclosures required by Article 10 of Regulation (EU) No 537/2014

On 13 April 2012, the shareholders of Piaggio & C. SpA in general meeting engaged us to perform the statutory audit of the Company's and consolidated financial statements for the years ending 31 December 2012 to 31 December 2020.

We declare that we did not provide any prohibited non-audit services referred to in article 5, paragraph 1, of Regulation (EU) No. 537/2014 and that we remained independent of the Company in conducting the statutory audit.

We confirm that the opinion on the consolidated financial statements expressed in this report is consistent with the additional report to the board of statutory auditors, in its capacity as audit committee, prepared pursuant to article 11 of the aforementioned Regulation.

Report on Compliance with other Laws and Regulations

Opinion in accordance with Article 14, paragraph 2, letter e), of Legislative Decree No. 39/10 and Article 123-bis, paragraph 4, of Legislative Decree No. 58/98

The directors of Piaggio & C. SpA are responsible for preparing a report on operations and a report on the corporate governance and ownership structure of the Piaggio Group as of 31 December 2018, including their consistency with the relevant consolidated financial statements and their compliance with the law.

We have performed the procedures required under auditing standard (SA Italia) No. 720B in order to express an opinion on the consistency of the report on operations and of the specific information included in the report on corporate governance and ownership structure referred to in article 123-bis, paragraph 4, of Legislative Decree No. 58/98, with the consolidated financial statements of the Piaggio Group as of 31 December 2018 and on their compliance with the law, as well as to issue a statement on material misstatements, if any.

In our opinion, the report on operations and the specific information included in the report on corporate governance and ownership structure mentioned above are consistent with the consolidated financial statements of the Piaggio Group as of 31 December 2018 and are prepared in compliance with the law.

With reference to the statement referred to in article 14, paragraph 2, letter e), of Legislative Decree No. 39/10, issued on the basis of our knowledge and understanding of the Company and its environment obtained in the course of the audit, we have nothing to report.

Statement in accordance with article 4 of Consob's Regulation implementing Legislative Decree No. 254 of 30 December 2016

The directors of Piaggio & C. SpA are responsible for the preparation of the non-financial statement pursuant to Legislative Decree No. 254 of 30 December 2016.

We have verified that the directors approved the non-financial statement.

Pursuant to article 3, paragraph 10, of Legislative Decree No. 254 of 30 December 2016, the non-financial statement is the subject of a separate statement of compliance issued by ourselves.

Florence, 20 March 2019

PricewaterhouseCoopers SpA

Signed by

Francesco Forzoni
(Partner)

This report has been translated into English from the Italian original solely for the convenience of international readers.

PIAGGIO & C. SPA
SEPARATE FINANCIAL STATEMENTS OF THE PARENT COMPANY AS OF 31 DECEMBER 2018

SEPARATE FINANCIAL STATEMENTS OF THE PARENT COMPANY AS OF 31 DECEMBER 2018

INCOME STATEMENT

NOTES	IN THOUSANDS OF EUROS	2018 TOTAL	2018 of which related parties	2017 TOTAL	2017 of which related parties
3	**Net revenues**	**799,573**	**86,618**	**817,764**	**103,991**
4	Cost for materials	(480,289)	(94,099)	(483,186)	(93,193)
5	Cost for services and leases and rentals	(163,360)	(41,618)	(170,663)	(38,710)
6	Employee costs	(157,161)		(159,303)	
7	Depreciation and impairment costs of property, plant and equipment	(23,237)		(24,931)	
7	Amortisation and impairment costs of intangible assets	(61,314)		(65,027)	
8	Other operating income	113,305	36,827	108,506	34,694
9	Net reversals (impairment) of trade and other receivables	(1,943)		(1,866)	
10	Other operating costs	(12,847)	(859)	(15,812)	(1,113)
	Operating income	**12,727**		**5,482**	
11	Income/(loss) from investments	45,148	45,140	38,103	37,994
12	Financial income	5,607	554	370	338
12	Borrowing costs	(26,445)	(82)	(26,805)	(134)
12	Net exchange gains/(losses)	(447)		(101)	
	Profit before tax	**36,590**		**17,049**	
13	Taxes for the period	(1,012)	3,808	3,544	1,144
	Profit from continuing operations	**35,578**		**20,593**	
	Assets held for sale:				
14	Profits or losses arising from assets held for sale				
	Net Profit (loss) for the period	**35,578**		**20,593**	

Note: The effects from adopting IFRS 15 and IFRS 9 are described in the section of the Notes "New accounting standards, amendments applicable from 1 January 2018".

STATEMENT OF COMPREHENSIVE INCOME

NOTES	IN THOUSANDS OF EUROS	2018	2017
	Net Profit (Loss) for the period (A)	**35,578**	**20,593**
	Items that will not be reclassified in the income statement		
41	Remeasurements of defined benefit plans	(750)	828
41	Portion of components of the Statement of Comprehensive Income of subsidiaries/associates measured with the equity method	(293)	451
	Total	**(1,043)**	**1,279**
	Items that may be reclassified in the income statement		
41	Total profits (losses) on cash flow hedges	206	68
41	Portion of components of the Statement of Comprehensive Income of subsidiaries/associates measured with the equity method	(2,714)	(10,547)
	Total	**(2,508)**	**(10,479)**
	Other components of the Statement of Comprehensive Income (B)[36]	**(3,551)**	**(9,200)**
	Total Profit (loss) for the period (A + B)	**32,027**	**11,393**

36 Other Profits (and losses) take account of relative tax effects

STATEMENT OF FINANCIAL POSITION

NOTES	IN THOUSANDS OF EUROS	AS OF 31 DECEMBER 2018 TOTAL	AS OF 31 DECEMBER 2018 of which related parties	AS OF 31 DECEMBER 2017 TOTAL	AS OF 31 DECEMBER 2017 of which related parties
	ASSETS				
	Non-current assets				
15	Intangible assets	558,845		549,140	
16	Property, plant and equipment	169,362		170,565	
17	Investment Property				
33	Investments	152,140		127,442	
34	Other financial assets	6,029		7,365	
22	Long-term tax receivables	10,348		9,351	
18	Deferred tax assets	41,855		42,447	
21	Other receivables	6,059	94	2,555	115
	Total non-current assets	**944,638**		**908,865**	
25	**Assets held for sale**				
	Current assets				
20	Trade receivables	48,063	22,978	46,878	18,351
21	Other receivables	64,923	55,164	57,261	46,868
22	Short-term tax receivables	3,086		3,759	
19	Inventories	166,463		160,889	
35	Other financial assets	14,797	11,993	16,355	14,171
36	Cash and cash equivalents	22,944		10,239	
	Total current assets	**320,276**		**295,381**	
	TOTAL ASSETS	**1,264,914**		**1,204,246**	
	SHAREHOLDERS' EQUITY AND LIABILITIES				
	Shareholders' equity				
40	Capital	207,614		207,614	
40	Share premium reserve	7,171		7,171	
40	Legal reserve	20,125		19,095	
40	Other reserves	(27,423)		(20,895)	
40	Retained earnings (losses)	74,320		77,035	
40	Net Profit (loss) for the period	35,578		20,593	
	Total shareholders' equity	**317,385**		**310,613**	
	Non-current liabilities				
37	Financial liabilities falling due after one year	506,637		436,851	2,900
27	Other long-term provisions	7,263		7,197	
28	Retirement funds and employee benefits	39,622		42,868	
29	Tax payables				
30	Other long-term payables	2,403		1,678	13
	Total non-current liabilities	**555,925**		**488,594**	
	Current liabilities				
37	Financial liabilities falling due within one year	62,797		85,742	
26	Trade payables	273,299	21,818	263,762	19,021
29	Tax payables	4,784		3,847	
30	Other short-term payables	43,324	12,196	42,296	11,845
27	Current portion of other long-term provisions	7,400		9,392	
	Total current liabilities	**391,604**		**405,039**	
	TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**1,264,914**		**1,204,246**	

Note: The effects from adopting IFRS 15 and IFRS 9 are described in the section of the Notes "New accounting standards, amendments applicable from 1 January 2018".

STATEMENT OF CASH FLOWS

This statement shows the factors behind changes in cash and cash equivalents, net of short-term bank overdrafts, as required by IAS 7.

NOTES	IN THOUSANDS OF EUROS	2018	2017
	OPERATING ACTIVITIES		
	Net Profit (loss) for the period	35,578	20,593
13	Taxes for the period	1,012	(3,544)
8	Depreciation of property, plant and equipment	22,615	24,931
8	Amortisation of intangible assets	59,383	61,864
	Provisions for risks and retirement funds and employee benefits	14,319	19,237
	Write-downs / (Reinstatements)	(40,664)	(33,031)
	Losses / (Gains) on the disposal of property, plants and equipment	265	1,093
12	Financial income	(5,607)	(370)
	Dividend income	(8)	(109)
12	Borrowing costs	26,445	26,265
	Income from public grants	(1,028)	0
	Change in working capital:		
20	(Increase)/Decrease in trade receivables	(2,661)	(2,519)
21	(Increase)/Decrease in other receivables	(11,613)	(4,368)
19	(Increase)/Decrease in inventories	(5,574)	(8,348)
26	Increase/(Decrease) in trade payables	9,537	(467)
30	Increase/(Decrease) in other payables	1,753	(2,117)
27	Increase/(Decrease) in provisions for risks	(6,357)	(9,600)
28	Increase/(Decrease) in retirement funds and employee benefits	(12,391)	(12,749)
	Other changes	(3,482)	22,301
	Cash generated from operating activities	**81,522**	**99,062**
	Interest paid	(24,491)	(23,155)
	Taxes paid	(2,482)	(3,354)
	CASH FLOW FROM OPERATING ACTIVITIES (A)	**54,549**	**72,553**
	INVESTMENT ACTIVITIES		
16	Investment in property, plant and equipment	(21,957)	(14,140)
	Sale price, or repayment value, of property, plant and equipment	42	1,456
15	Investment in intangible assets	(71,079)	(51,447)
	Sale price, or repayment value, of intangible assets	62	38
	Investment in non-current financial assets	(2,840)	(8,434)
	Loans provided	(11,241)	(4,457)
	Sale price of financial assets	842	0
	Grants collected	728	0
	Collected interests	523	335
	Dividends from investments	32,309	18,550
	CASH FLOW FROM INVESTMENT ACTIVITIES (B)	**(72,611)**	**(58,099)**
	FINANCING ACTIVITIES		
40	Purchase of treasury shares	(1,537)	0
40	Outflow for dividends paid	(19,698)	(19,698)
37	Loans received	152,662	56,687
37	Outflow for repayment of loans	(99,859)	(131,050)
37	Repayment of finance leases	(1,108)	(1,081)
	CASH FLOW FROM FINANCING ACTIVITIES (C)	**30,460**	**(95,142)**
	Increase / (Decrease) in cash and cash equivalents (A+B+C)	12,398	(80,688)
	OPENING BALANCE	**10,066**	**90,872**
	Exchange differences	128	(118)
	CLOSING BALANCE	**22,592**	**10,066**

CHANGES IN SHAREHOLDERS' EQUITY

Movements from 1 January 2018/31 December 2018

NOTES	IN THOUSANDS OF EUROS	SHARE CAPITAL	SHARE PREMIUM RESERVE	LEGAL RESERVE	NET CAPITAL GAIN FROM CONTRIBUTION	RESERVE FOR MEASUREMENT OF FINANCIAL INSTRUMENTS	IAS TRANSITION RESERVE	TRANSLATION RESERVE	TREASURY SHARES	EARNINGS RESERVE	TOTAL SHAREHOLDERS' EQUITY
	As of 1 January 2018	**207,614**	**7,171**	**19,095**	**152**	**(320)**	**5,789**	**(26,516)**	**0**	**97,628**	**310,613**
	Profit for the period									35,578	35,578
	Other components of the Statement of Comprehensive Income					206		(2,714)		(1,043)	(3,551)
	Total profit (loss) for the period	**0**	**0**	**0**	**0**	**206**	**0**	**(2,714)**	**0**	**34,535**	**32,027**
	Distribution of profit for 2017 as resolved by the ordinary meeting of shareholders										
	- To shareholders									(19,698)	(19,698)
	- To shareholders' equity			1,030						(1,030)	0
	Adoption of IFRS 9						(4,020)				(4,020)
	Purchase of treasury shares								(1,537)		(1,537)
	Other changes										0
	As of 31 December 2018	**207,614**	**7,171**	**20,125**	**152**	**(114)**	**1,769**	**(29,230)**	**(1,537)**	**111,435**	**317,385**

Movements from 1 January 2017/31 December 2017

NOTES	IN THOUSANDS OF EUROS	SHARE CAPITAL	SHARE PREMIUM RESERVE	LEGAL RESERVE	NET CAPITAL GAIN FROM CONTRIBUTION	RESERVE FOR MEASUREMENT OF FINANCIAL INSTRUMENTS	IAS TRANSITION RESERVE	TRANSLATION RESERVE	TREASURY SHARES	EARNINGS RESERVE	TOTAL SHAREHOLDERS' EQUITY
	As of 1 January 2017	**207,614**	**7,171**	**18,395**	**152**	**(388)**	**11,435**	**(15,969)**	**(5,646)**	**96,154**	**318,918**
	Profit for the period									20,593	20,593
	Other components of the Statement of Comprehensive Income					68		(10,547)		1,279	(9,200)
	Total profit (loss) for the period	0	**0**	**0**	**0**	**68**	**0**	**(10,547)**	**0**	**21,872**	**11,393**
	Distribution of profit for 2016 as resolved by the ordinary meeting of shareholders										
	- To shareholders									(19,698)	(19,698)
	- To shareholders' equity			700						(700)	0
	Cancellation of treasury shares						(5,646)		5,646		0
	Net capital gain from contribution										0
	Other changes										0
	As of 31 December 2017	**207,614**	**7,171**	**19,095**	**152**	**(320)**	**5,789**	**(26,516)**	**0**	**97,628**	**310,613**

NOTES TO THE FINANCIAL STATEMENTS

A) GENERAL ASPECTS

Piaggio & C. S.p.A. (the Company) is a joint-stock company established in Italy at the Register of Companies of Pisa. The address of the registered office is Viale Rinaldo Piaggio 25 - Pontedera (Pisa). The main operations of the Company and its subsidiaries are described in the Report on Operations of the Consolidated Financial Statements.
These Financial Statements are expressed in Euros (€) since this is the currency in which most of the Company's transactions take place.

Compliance with international accounting standards

The Financial Statements as of 31 December 2018 have been drafted in compliance with the International Accounting Standards (IAS/IFRS) in force at that date, issued by the International Accounting Standards Board and approved by the European Commission, as well as in compliance with the provisions established in Article 9 of Italian Legislative Decree no. 38/2005 (Consob Resolution no. 15519 dated July 27/7/06 containing "Provisions for the presentation of financial statements", Consob Resolution no. 15520 dated 27/7/06 containing "Changes and additions to the Regulation on Issuers adopted by Resolution no. 11971/99", Consob communication no. 6064293 dated 28/7/06 July containing "Corporate reporting required in accordance with Article 114, paragraph 5 of Italian Legislative Decree no. 58/98"). The interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"), previously the Standing Interpretations Committee ("SIC"), were also taken into account.
The Financial Statements have been prepared on a historical cost basis, amended as required for the measurement of some financial instruments, and on a going-concern basis. In fact, despite the difficult economic and financial context, the Company has evaluated that there are no significant doubts about its continuing as a going concern (as defined in section 25 of IAS 1), also in relation to actions already identified to adapt to changing levels in demand, as well as the industrial and financial flexibility of the Company.

These Financial Statements are audited by PricewaterhouseCoopers S.p.A..

1. FORM AND CONTENT OF THE FINANCIAL STATEMENTS

Form of the financial statements
The Company has chosen to highlight all changes generated by transactions with non-shareholders in two statements reporting trends of the period, the "Income Statement" and "Statement of Comprehensive Income". The Financial Statements are therefore composed of the Income Statement, Statement of Comprehensive Income, Statement of Financial Position, Statement of Cash Flows, Statement of Changes in Shareholders' Equity and these notes.

Income Statement
The Income Statement is presented with items classified by nature. The overall Operating Income is shown, which includes all income and cost items, irrespective of their repetition or fact of falling outside normal operations, except for the items of financial operations included under Operating Income and Profit before tax. In addition, income and cost items arising from assets held for sale or to be discontinued, including any capital gains or losses net of the tax element, are recognised in a specific item of the Financial Statements preceding financial performance.

Statement of Comprehensive Income
The Statement of Comprehensive Income is presented in accordance with the provisions of IAS 1 amended. Items presented in "Other comprehensive income (expense)" are grouped based on whether they are potentially reclassifiable to profit or loss.

Statement of Financial Position

The Statement of Financial Position is presented in opposite sections with separate indication of assets, liabilities and shareholders' equity.
In turn, assets and liabilities are reported in the Financial Statements on the basis of their classification as current and non-current.

Statement of Cash Flows

The Statement of Cash Flows is divided into cash-flow generating areas. The Statement of Cash Flows model adopted by Piaggio & C. S.p.A. has been prepared using the indirect method. The cash and cash equivalents recorded in the Statement of Cash Flows include the Statement of Financial Position balances for this item at the reporting date. Financial flows in foreign currency were converted at the spot rate in force at the end of the reporting period. Income and costs related to interest, dividends received and income taxes are included in the cash flow generated from operations.

Statement of Changes in Shareholders' Equity

The Statement of Changes in Shareholders' Equity is presented as provided for in IAS 1 revised.
The Statement includes overall profit (loss) for the period. Reconciliation between the opening and closing balance of each item for the period is presented.

2. ACCOUNTING POLICIES ADOPTED BY THE COMPANY

The most significant accounting policies adopted to prepare the Financial Statements as of 31 December 2018 are outlined below.

Intangible assets

As provided for in IAS 38 - Intangible Assets, an intangible asset which is purchased or internally generated is recognised as an asset only if it is identifiable, controllable and future economic benefits are expected and its cost may be measured reliably. Borrowing costs related to the acquisition, construction or production of certain assets that require a significant period of time before they are ready for use or sale (qualifying assets), are capitalised along with the asset.
Intangible assets with a definite useful life are measured at acquisition cost or production cost net of amortisation and accumulated impairment losses. Amortisation is referred to the expected useful life and commences when the asset is available for use.

Goodwill

In the case of acquisitions of companies, acquired and identifiable assets, liabilities and potential liabilities are recognised at the present value at the date of acquisition. The positive difference between the acquisition cost and share of the Company at the fair value of said assets and liabilities is classified as goodwill and recognised in the financial statements as an intangible asset. Any negative difference ("negative goodwill") is recognised instead in profit or loss at the date of acquisition.
Goodwill is not amortised but tested annually for impairment, or more frequently if specific events or changed circumstances indicate that an asset may be impaired, as provided for in IAS 36 - Impairment of Assets. After initial recognition, goodwill is recognised at cost net of any accumulated impairment losses.
At the disposal of part of or an entire company previously acquired from whose acquisition goodwill arose, the corresponding residual value of goodwill is considered when measuring the capital gain or loss of the disposal.

Development costs

Development costs of projects for the manufacture of vehicles and engines are recognised as assets only if all of the following conditions are met: the costs can be reliably measured and the technical feasibility of the product, the volumes and expected prices indicate that costs incurred during development will generate future economic benefits.
Capitalised development costs include only costs incurred that may be directly attributed to the development process.
Capitalised development costs are amortised on a systematic criterion basis, starting from the beginning of production through the estimated life of the product.
All other development costs are recognised in profit or loss when they are incurred.

Other intangible assets

As provided for in IAS 38 – Intangible Assets, other intangible assets which are purchased or internally generated are recognised as assets if it is probable that use of the asset will generate future economic benefits and the cost of the asset can be reliably measured.
These assets are recognised at acquisition or production cost and are amortised on a straight line basis over their estimated useful life, if they have a definite useful life.
Other intangible assets recognised following the acquisition of a company are accounted for separately from goodwill, if their fair value may be reliably measured.
The amortisation period for an intangible asset with a useful life is revised at least at the end of each reporting period. If the expected useful life of the asset differs from estimates previously made, the amortisation period is changed accordingly.
The amortisation periods of intangible assets are shown below:

Development costs	3-5 years
Industrial Patent and Intellectual Property Rights	3-5 years
Other	5 years
Trademarks	15 years
Licences	10 years

Property, plant and equipment

The Company has decided to adopt the cost method on first-time application of the IAS/IFRS, as allowed by IFRS 1. For the measurement of property, plant and equipment, therefore, the preference was not to use the fair value method. Property, plant and equipment were booked at the purchase or production cost and were not revalued. Borrowing costs related to the acquisition, construction or production of certain assets that require a significant period of time before they are ready for use or sale (qualifying assets), are capitalised along with the asset.
Costs incurred after acquisition are capitalised only if they increase the future economic benefits of the asset they refer to. All other costs are recognised in profit or loss when they are incurred. Property, plant and equipment under construction are measured at cost and depreciated starting from the period in which they are put into operation.
Depreciation is determined, on a straight line basis, on the cost of the assets net of their relative residual values, based on their estimated useful life.
The depreciation periods of Plant, property and equipment are summarised below:

Land	Land is not depreciated
Buildings	33 years
Plant and machinery	From 5 to 15 years
Equipment	From 4 to 5 years
Other assets	From 5 to 10 years

Profits and losses arising from the sale or disposal of assets are measured as the difference between the sale revenue and net carrying amount of the asset and are recognised in profit or loss for the period.

Lease contracts

Lease contracts for property, plant and machinery where the Company, as lessee, basically undertakes all risks and benefits of the property, are classified as finance leases. Finance leases are capitalised when the lease is established, at the fair value of the leased asset or, if less, at the current value of minimum payments due. The corresponding amount due to the lessor, net of borrowing costs, is recognised as a financial payable. The borrowing cost is recognised in profit or loss over the lease period, so as to produce an interest rate that is constant for the remaining amount due for each period. Property, plant and machinery of finance leases are depreciated during the useful life of the asset or the shorter of the useful life of the asset and the duration of the lease agreement, if there is no reasonable certainty that the Company will obtain the property at the end of the lease period.
Leases in which a significant part of the risks and benefits of ownership are not transferred to the Company as the lessor, are classified as operating leases. Payments made for operating leases (net of any incentives received from the lessee), are recognised in profit or loss on a straight-line basis for the duration of the lease agreement.

Investments in subsidiaries, associates and joint ventures

Investments in subsidiaries, associates and joint ventures are recognised in the financial statements according to the equity method, as allowed by IAS 27 and as provided for by IAS 28 (Investments in Associates and Joint Ventures).
Subsidiaries, associates and joint venture are included in the financial statements from when control, significant influence or joint control commences until it ceases.
The financial statements of subsidiaries, associates and joint ventures, are appropriately modified and reclassified, where necessary, to bring them in line with the international accounting standards and uniform classification criteria used by the Group.
In adopting the equity method, the investment in a subsidiary, associate or joint venture is initially recognised at cost and the carrying amount is increased or decreased to recognise the portion attributable to the investor of profit or loss of the investee realised after the date of acquisition. The portion of profit (loss) for the period of the investee attributable to the investor is recognised in Holding statutory profit or loss. Dividends received from an investee reduce the carrying amount of the investment. Adjustments to the carrying amount of the investment are also due to changes in items of other comprehensive income of the investee (e.g. changes arising from translation differences of items in foreign currency). The portion of these changes, attributable to the investor, is recognised under other components of comprehensive income. If the portion of losses of an entity in a subsidiary, associate or joint venture is equal to or exceeds its interest in the subsidiary, associate or joint venture, the entity discontinues recognising its share of further losses. After the interest is reduced to zero, additional losses are recognised by a provision (liability) only to the extent that the entity has incurred legal or constructive obligations or made payments on behalf of the associate, subsidiary or joint venture. If the subsidiary, associate or joint venture subsequently reports profits, the entity resumes recognising its portion of those profits only after its portion of the profits equals the share of losses not recognised. Profit and losses arising from "upwards" or "downwards" transactions between an entity and a subsidiary, associate or joint venture are recognised in the entity's financial statements only as regards the portion attributable to minority interest in the subsidiary, associate or joint venture. The portion of profit or loss of the subsidiary, associate or joint venture arising from these transactions, attributable to the investor, is eliminated in the income statement under "earnings from investments", with a counter entry of the asset's value, in "upwards" transactions, and of the value of the investment, in "downwards" transactions.
If there is objective evidence of an impairment loss, the investment is tested for impairment, as described in the relative section, to which reference is made.
Separate financial statements are prepared in the currency of the primary economic sector in which the subsidiary, associate or joint venture operates (functional currency). For the purposes of adopting the equity method, the financial statements of each foreign entity are in euro, which is the functional currency of Piaggio & C. SpA and the presentation currency of the separate Financial Statements.
All assets and liabilities of foreign companies in a currency other than the euro are translated, using exchange rates in effect at the reporting date (currency exchange rates method). Income and costs are translated at the average exchange rate of the period. Translation differences arising from the application of this method, as well as translation differences arising from a comparison of initial shareholders' equity translated at current exchange rates and the same equity translated at historical rates, are recognised in the statement of comprehensive income and allocated to a specific reserve in shareholders' equity until disposal of the investment.

The exchange rates used to translate the financial statements of subsidiaries, associates and joint ventures into Euro are shown in the table below.

CURRENCY	SPOT EXCHANGE RATE 31 DECEMBER 2018	AVERAGE EXCHANGE RATE 2018	SPOT EXCHANGE RATE 29 DECEMBER 2017	AVERAGE EXCHANGE RATE 2017
US Dollar	1.1450	1.18095	1.1993	1.12968
Pounds Sterling	0.89453	0.884706	0.88723	0.876674
Indian Rupee	79.7298	80.73324	76.6055	73.53242
Singapore Dollars	1.5591	1.59261	1.6024	1.55882
Chinese yuan	7.8751	7.80808	7.8044	7.62900
Croatian Kuna	7.4125	7.41816	7.4400	7.46370
Japanese Yen	125.85	130.39588	135.01	126.71118
Vietnamese Dong	26,230.56	26,984.72276	26,934.34	25,472.91202
Canadian Dollars	1.5605	1.52936	1.5039	1.46472
Indonesian Rupiah	16,565.86	16,802.30086	16,260.11	15,119.53357
Brazilian Real	4.4440	4.30849	3.9729	3.60543

Impairment

At the end of the reporting period, the Company reviews the book value of its plant, property and equipment, intangible assets and investments, to determine whether there is any indication that these assets may be impaired (impairment test). If there is an indication that an asset may be impaired, the asset's recoverable amount is estimated to determine the amount of the write-down. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the asset's cash generating unit.
The recoverable amount is the greater of the net sale price and value in use. In measuring the value in use, estimated future cash flows are discounted at their fair value, using a rate gross of taxes, which reflects current market changes in the fair value of money and specific risks of the asset.
If the recoverable amount of an asset (or of a cash generating unit) is estimated to be lower than the relative carrying amount, the carrying amount of the asset is reduced to the lower recoverable value. An impairment loss is immediately recognised in profit or loss, unless the asset concerns land or property other than investment property recognised at revalued values. In said case, the loss is recorded in the relative revaluation reserve.
When the conditions that gave rise to an impairment loss no longer exist, the carrying amount of the asset (or of a cash generating unit), except for goodwill, is increased to the new value arising from an estimate of its recoverable amount, up to the net carrying amount applicable to the asset if no impairment loss had been recognised. The reversal of the impairment loss is immediately recognised in profit or loss.
An intangible asset with an indefinite useful life is tested annually for impairment, or more frequently if there is an indication that an asset may be impaired.

Investment Property

The Company has no investment property. As permitted by IAS 40, non instrumental property and buildings held for rental and/or asset appreciation purposes are measured at fair value. Investment properties are eliminated from the financial statements when they are disposed of or when they may not be used over time and future economic benefits from their sales are not expected.

Transactions with affiliates and related parties

Relations with subsidiaries and related parties are indicated in the specific section of the Notes, to which reference is made.

Non-current assets held for sale

Non-current assets (and disposal groups) that are classified as held for sale are measured at the lower of the carrying amount and fair value less costs to sell.
Non-current assets (and disposal groups) are classified as held for sale when it is expected that their carrying amount will be recovered through a sale rather than through their use in company operations. This condition is only met when the sale is highly probable, the asset (or disposal group) is available for immediate sale and management is committed to a plan to sell, which should take place within 12 months from the date in which this item was classified as held for sale.

Financial assets

IFRS 9 adopts a single approach to analysing and classifying all financial assets, including those containing embedded derivatives. Classification and measurement consider the business model of the financial asset and the contractual characteristics of cash flows that may be obtained from the asset. Depending on the characteristics of the instrument and business model adopted, the following three categories are used:

(i) financial assets measured at amortised cost; (ii) financial assets measured at fair value, with the effects recognised in other comprehensive income (OCI); (iii) financial assets measured at fair value, with the effects recognised in profit or loss.

The financial asset is measured at amortised cost if both the following conditions are met:
- the business model holds the financial asset only to collect the relative cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that only represent the return on the financial asset.

According to the amortised cost method, the value of initial recognition is subsequently adjusted to take into account repayments of principal, any impairment and amortisation of the difference between the repayment value and value of initial recognition.

Amortisation is based on the internal effective interest rate that represents the rate which, at the time of initial recognition, makes the present value of expected cash flows equal to the value of initial recognition.

Receivables and other financial assets measured at amortised cost are presented in the statement of financial position net of the relative provision for write-downs.

Financial assets representing debt instruments whose business model covers the possibility of collecting contractual cash flows and realising capital gains from sale (the hold to collect and sell business model), are measured at fair value, recognising the effects in OCI.

In this case, changes in fair value of the instrument are recognised as shareholders' equity in OCI. The total of changes in fair value, recognised in a shareholders' equity reserve that includes OCI, is reversed to profit or loss when the instrument is deleted from the accounts. Interest expense is recognised in profit or loss using the effective interest rate, exchange differences and write-downs.

A financial asset representing a debt instrument that has not been measured at amortised cost or at fair value through other comprehensive income is measured at fair value with the effects recognised in profit or loss.

Inventories

Inventories are recognised as the lower of the purchase or production cost, determined by assigning to products the costs directly incurred in addition to the portion of indirect costs reasonably attributable to the performance of production activities in normal production capacity conditions and the market value at the end of the reporting period. The purchase or production cost is determined based on the weighted average cost method.
As regards raw materials and work in progress, the market value is represented by the estimated net realisable value of corresponding finished products minus completion costs. As regards finished products, the market value is represented by the estimated net realisable value (price lists minus the costs to sell and distribution costs).
The lower measurement based on market trends is eliminated in subsequent years, if the trends no longer exist.
Obsolete, slow moving and/or excess inventories are impaired in relation to their possible use or future realisation, in a provision for the write-down of inventories.

Receivables

IFRS 9 establishes a new model for the impairment/write-down of these assets, with the aim of providing useful information for financial statement users on relative expected losses. According to this model, the Company measures receivables on an expected loss basis, replacing the provisions in IAS 39 which typically measure receivables on an incurred loss basis. For trade receivables, the Company adopts a simplified approach which does not require the recognition of periodic changes in credit risk, but instead the recognition of an expected credit loss (ECL) calculated over the ECL lifetime. In particular, the policy adopted by the Company involves the stratification of trade receivables in categories based on past due days, defining the allocation based on the historical experience of credit losses, adjusted to take into account specific forecasts referred to creditors and the economic environment.

Trade receivables are wholly written down in the absence of a reasonable expectation of their recovery, or in the case of inactive counterparties.

The carrying amount of the asset is reduced by using the provision for bad debts and the amount of the loss is recognised in the income statement. If collection of the consideration is deferred beyond normal terms applied to customers, the receivable is discounted.

Factoring

The Company sells a significant part of its trade receivables through factoring and in particular, sells trade receivables without recourse. Following these sales with the total and unconditional transfer to the transferee of the risks and benefits transferred, the receivables are eliminated from the financial statements.

In the case of transfers in which the risks and benefits are not transferred, the relative receivables remain in the statement of financial position until the transferred sum has been paid. In this case any advance payments collected by the factor are recognised under payables as amounts due to other lenders.

Cash and cash equivalents

Cash and cash equivalents includes cash on hand, current bank accounts, deposits payable on demand and other high liquidity short term financial investments, which are readily convertible into cash and not affected by any major risk of a change in value. This item does not include bank overdrafts payable on demand.

Treasury shares

Treasury shares are recognised as a reduction of shareholders' equity. The original cost of treasury shares and revenues arising from subsequent sales are recognised as movements of shareholders' equity.

Financial liabilities

Financial liabilities include financial payables, including amounts payable for advances on the sale of receivables, as well as other financial liabilities, including financial derivatives and liabilities for assets recognised regarding finance lease agreements. Pursuant to IFRS 9, they include trade and other payables.

Financial liabilities are recognised at fair value net of additional transaction costs. After initial recognition, loans are measured at amortised cost and calculated using the effective interest rate. With the introduction of IFRS 9, in the event of the renegotiation of a financial liability that does not qualify as "extinction of the original debt", the difference between i) the book value of the pre-change liability and ii) the present value of the cash flows of the revised debt, discounted at the original rate (IRR), is accounted for in the income statement.

Financial liabilities hedged by derivatives are recognised at present value, according to procedures established for hedge accounting: gains and losses arising from subsequent measurements at present value are recognised in profit or loss and are offset by the effective portion of the loss and again arising from subsequent measurements at present value of the hedging instrument. On initial recognition, a liability may be designated at fair value recognised in profit or loss when this eliminates or considerably reduces a lack of uniformity in the measurement or recognition (sometimes defined as "asymmetric accounting") that would otherwise arise from the measurement of an asset or liability or recognition of relative profit and loss on different bases. This fair value designation is exclusively applied to some financial liabilities in currency subject to exchange risk hedging.

Derivatives and measurement of hedging transactions

Company assets are primarily exposed to financial risks from changes in exchange and interest rates. The Company uses derivatives to hedge risks arising from changes in foreign currency and interest rates in particular irrevocable commitments and planned future transactions. The use of these instruments is regulated by written procedures on the use of derivatives, in line with risk management policies. As permitted by IFRS 9, the Company has opted to continue to adopt the provisions on hedge accounting in IAS 39, rather than in IFRS 9. Derivatives are initially recognised at fair value, represented by the initial amount and aligned with the fair value at subsequent ends of reporting periods. Financial derivatives are used solely for hedging purposes, in order to reduce exchange risk, interest rate risk and the risk of changes in the market price. In line with IAS 39, financial derivatives may qualify for hedge accounting, only when the hedging instrument is formally designated and documented, is expected to be highly effective and this effectiveness can be reliably measured and is highly effective throughout the reporting periods for which it is designated.

When financial instruments may be measured by hedge accounting, the following accounting treatment is adopted:
- Fair value hedge: if a financial derivative is designated as a hedge of the exposure to changes in present value of a recognised asset or liability, attributable to a particular risk and could affect profit or loss, the gain or loss from the subsequent change in present value of the hedging instrument is recognised in profit or loss. The gain or loss on the hedged item, attributable to the hedged risk, changes the carrying amount of the hedged item and is recognised in profit or loss;
- Cash flow hedge: if an instrument is designated as a hedge of the exposure to variability in cash flows of a recognised asset or liability or of a highly probable forecast transaction which could affect profit or loss, the effective portion of the gain or loss on the financial instrument is recognised in the Statement of Comprehensive Income. Accumulated gain or loss is reversed from the Statement of Comprehensive Income and recognised in profit or loss in the same period as the hedging transaction. The gain or loss associated with hedging or the part of hedging which is ineffective, is immediately recognised in profit or loss. If the hedging instrument or hedging ceases, but the transaction covered by hedging is not yet realised, profits and losses, recognised in equity, are instead recognised in profit or loss when the transaction takes place. If the transaction to be hedged is deemed no longer probable, gains or losses deferred in the Statement of Comprehensive Income are recognised immediately in profit or loss.

If hedge accounting cannot be applied, gains or losses from measurement at present value of the financial derivative are immediately recognised in profit or loss.

Long-term provisions

The Company recognises provisions for risks and charges when it has a legal or implicit obligation to third parties and it is likely that Company resources will have to be used to meet the obligation and when the amount of the obligation itself can be reliably estimated.
Changes in estimates are recognised in profit or loss when the change takes place.
If the effect is considerable, provisions are calculated discounting future cash flows estimated at a discount rate gross of taxes, to reflect current market changes in the fair value of money and specifics risks of the liability.

Retirement funds and employee benefits

Liabilities relative to employee benefits paid on or after termination of employment for defined benefit plans are determined separately for each plan, based on actuarial hypotheses estimating the amount of future benefits that employees will accrue at the reporting date (the "projected unit credit method"). Liabilities, recognised in the financial statements net of any assets serving the plan, are entered for the period when the right accrues. Liabilities are measured by independent actuaries.
The cost components of defined benefits are recognised as follows:
- the costs relative to services are recognised in the Income Statement under employee costs;
- net financial borrowing costs of liabilities or assets with defined benefits are recognised in the Income Statement as financial income/(borrowing costs), and are determined by multiplying the value of the net liability/(asset) by the rate used to discount the obligations, taking account of the payment of contributions and benefits during the period;
- the remeasurement components of net liabilities, which include actuarial gain and losses, the return on assets (excluding interest income recognised in the Income Statement) and any change in the limit of the assets, are immediately recognised as "Other comprehensive income (expense)". These components must not be reclassified to the Income Statement in a subsequent period.

Termination benefits

Termination benefits are recognised at the closest of the following dates: i) when the Company can no longer withdraw the offer of such benefits and ii) when the Company recognises the costs of restructuring.

Tax assets and liabilities

Deferred taxes are determined based on the temporary taxable differences between the value of the asset and liability and their tax value. Deferred tax assets are measured only to the extent to which it is likely that adequate future taxable sums exist against which the deferred taxes can be used. The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent to which it is no longer likely that sufficient taxable income exists allowing for all or a portion of said assets to be recovered.
Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, considering the rates in effect or which are known to come into effect. Deferred taxes

are directly recognised in profit or loss, except for items directly recognised in the statement of comprehensive income, in which case relative deferred taxes are also recognised in the statement of comprehensive income.
Deferred tax assets and liabilities are recognised at their net value when applied by the tax authorities and when they may be lawfully offset in the same tax jurisdiction.

Payables

Payables are recognised at fair value and then measured based on the amortised cost method.

Reverse factoring

To guarantee suppliers easier credit conditions, the Company has established factoring agreements, and typically supply chain financing or reverse factoring agreements. Based on the agreements, suppliers may, at their discretion, transfer receivables due from the Company to a lender and collect amounts before the due date.
In some cases, payment terms are extended further in agreements between the supplier and the company; these extensions may be interest or non-interest bearing.
The Company has established a specific policy to assess the nature of reverse factoring operations. Based on the content of agreements, which differs by area of origin, the Finance function, at a central level, analyses the clauses of agreements in qualitative terms, as well as legal aspects in order to assess regulatory references and the type of transaction assignment (as provided for by IFRS 9 B3 3.1). In some cases, as payment terms have been extended, quantitative analysis is carried out to verify the materiality of changes in contract terms, based on quantitative tests as required by IFRS 9 B3.3.6.
In this context, relations, for which a primary obligation with the supplier is maintained and any deferment, if granted, does not significantly change payment terms, are still classified as trade liabilities.

Recognition of revenues

Based on the five-step model introduced by IFRS 15, the Company measures revenues after identifying the contracts with its customers and relative performance to provide (transfer of goods and/or services), after determining the transaction price it considers due in exchange for performance, and evaluating the procedure for satisfying the performance (performance at a given time versus performance over time).
In particular, the Company measures revenues only if the following requirements have been met (requirements to identify the "contract" with the customer):

a. the contract has been approved by the parties to the contract (in writing, verbally or in compliance with other standard business practices) and the parties undertake to meet their respective obligations; an agreement therefore exists between the parties that establishes the rights and obligations to be met, regardless of the form by which the agreement is made;
b. the Company can identify each party's rights in relation to the goods or services to be transferred;
c. the Company can identify the payment terms for the goods or services to be transferred;
d. the contract has commercial substance; and
e. it is probable that the Company will receive the consideration to which it is entitled in exchange for the goods or services that will be transferred to the customer.

If the above requirements are not met, the relative revenues are recognised when: (i) the Company has already transferred control of the goods and/or provided the service to the customer and all or nearly all of the consideration from the customer has been received and cannot be reimbursed; or (ii) the contract has ended and the consideration received by the Company from the customer cannot be reimbursed.

If the above requirements are instead met, the Company adopts the following rules for recognition.
Revenues for the sale of vehicles and spare parts are recognised when control of the good is transferred to the purchaser, or when the customer can use in full the good or substantially benefit from it. Revenues are represented net of discounts, including sales incentive programmes and customer bonuses, as well as taxes directly related with the sale of the goods.
Revenues from the provision of services are recognised when the services are provided based on their progress.
Revenues also include lease payments recognised on a straight line basis for the duration of the contract.

Public grants

Set-up grants are recognised in the financial statements when their payment is certain and are recognised in profit or loss based on the useful life of the asset for which the grants have been provided.
Operating grants are recognised in the financial statements, when their payment is certain and are recognised in profit or loss in relation to costs for which the grants have been provided.

Financial income

Financial income is recognised on an accrual basis and includes interest payable on invested funds, exchange differences receivable and income from financial instruments, when not offset in hedging transactions. Interest receivable is recognised in profit or loss when it matures, considering the actual return.

Borrowing costs

Borrowing costs are recognised on an accrual basis and include interest payable on financial payables calculated using the effective interest rate method, exchange differences payable and losses on derivative financial instruments. The rate of interest payable of finance lease payments is recognised in profit or loss, using the effective interest rate method.

Dividends

Dividends are recognised on an accrual basis, and therefore at the time when, following the resolution to distribute dividends by the subsidiary, the relative right to payment arises. In compliance with IAS 27 Revised "Separate Financial Statements", dividends distributed by subsidiaries, associates and joint ventures are recognised minus their investment value.

Income tax

Taxes represent the sum of current and deferred tax assets and liabilities.
Taxes allocated on the basis of estimated taxable income determined in compliance with national laws in force at the year end are recorded, taking account of applicable exemptions and tax credits due. Income tax is recognised in profit or loss, with the exception of items directly charged or credited to shareholders' equity, in which case the tax effect is directly recognised in shareholders' equity.
Taxes are recorded under "Tax payables" net of advances and withheld taxes.
As from the 2007 reporting period, the Company has been party to the National Consolidated Tax Convention pursuant to articles 117 to 129 of the Consolidated Income Tax Act (T.U.I.R) of which IMMSI S.p.A. is the consolidating company, and to whom other IMMSI Group companies report. This arrangement was renewed with effects starting from 2016 and will be operative up until 2018.
Based on the procedure, the consolidating company determines one taxable base for the group of companies that are party to the National Consolidated Tax Convention, and may therefore offset taxable income against tax losses in one tax return. Each company which is party to the National Consolidated Tax Convention transfers taxable income (taxable income or loss) to the consolidating company. The latter recognises a receivable from the consolidated company which is equal to the corporate tax to be paid. Whereas, in the case of companies reporting tax losses, the consolidating company recognises a payable related to corporate tax on the portion of loss actually offset at a Group level.

Use of estimates

The preparation of the financial statements and notes in compliance with IFRS requires management to make estimates and assumptions which have an impact on the values of assets and liabilities and on disclosure regarding contingent assets and liabilities at the end of the reporting period. Actual results could differ from estimates. Estimates are used to measure intangible assets tested for impairment (see § Impairment losses) and to identify provisions for bad debts, for obsolete inventories, amortisation and depreciation, impairment of assets, employee benefits, taxes, restructuring provisions and other allocations and funds. Estimates and assumptions are periodically revised and the effects of any change are immediately recognised in profit or loss.
In the current world economic and financial crisis, assumptions made as to future trends are marked by a considerable degree of uncertainty. Therefore the possibility in the next reporting period of results that differ from estimates cannot be ruled out and these could require even significant adjustments which at present cannot be predicted or estimated.
The critical measurement processes and key assumptions used by the Company in adopting IFRS and that may have a significant impact on figures in the Financial Statements or for which a risk exists that significant differences in value may arise in relation to the carrying amount of assets and liabilities in the future are summarised below.

Recoverable value of non-current assets

Non-current assets include Property, Plant and Equipment, Goodwill, Other Intangible Assets, Investment Property, Investments and Other Financial Assets. The Company periodically revises the carrying amount of non-current assets held and used and of assets held for sale, when facts and circumstances make this necessary. This analysis is carried out at least annually for Goodwill, and whenever facts and circumstances make it necessary. Analysis of the recoverability of the carrying amount of Goodwill is generally based on estimates of expected cash flows from the use or sale of the asset and adequate discount rates to calculate the fair value. When the carrying amount of a non-current asset is impaired, the Company recognises a write-down equal to the excess between the carrying amount of the asset and its recoverable value through use or sale, determined with reference to cash flows of the most recent company plans.

Recoverability of deferred tax assets

The Company has deferred tax assets from deductible temporary differences and theoretical tax benefits from losses to be carried forward. In estimating recoverable value, the Company considered the results of the company plan in line with the results used for impairment testing. Net deferred tax assets allocated on this basis refer to temporary differences and tax losses which, to a significant extent, may be recovered over an indefinite period, and are therefore compatible with a context in which an end to current difficulties and uncertainties and an upswing in the economy could take longer than the time frame of the above-mentioned estimates. As the Company is party to the IMMSI Group National Consolidated Tax Convention, the recovery of deferred tax assets is related to results forecast for the company, and also to the taxable amounts of companies which are part of the IMMSI Group National Consolidated Tax Convention.

Pension schemes and other post-employment benefits

Provisions for employee benefits and net borrowing costs are measured using an actuarial method that requires the use of estimates and assumptions to determine the net value of the obligation. The actuarial method considers financial parameters such as the discount rate and growth rates of salaries and considers the likelihood of potential future events occurring on the basis of demographic parameters such as relative mortality rates and employee resignations or retirements.
The assumptions used for the measurement are explained in section 28 "Retirement funds and employee benefits".

Provisions for bad debts

The provision for bad debts reflects management's estimate of expected losses related to receivables. The Company adopts the simplified approach of IFRS 9 and recognises expected losses for all trade receivables based on the residual duration, defining the allocation based on the historical experience of credit losses, adjusted to take into account specific forecasts referenced to creditors and the economic environment (Expected Credit Loss – ECL concept).

Provision for obsolete inventories

The provision for obsolete inventories reflects management's estimate of impairment losses expected by the Company, determined based on past experience. Anomalous market price trends could have an effect on future inventory write-downs.

Provision for product warranties

At the time of a product's sale, the Company makes provisions relative to estimated costs for the product warranty. This provision is estimated based on historical information about the nature, frequency and average cost of warranty jobs.

Potential liabilities

The Company recognises a liability for ongoing legal disputes when it considers a financial outflow likely and when the amount of the losses arising therefrom may be reasonably estimated. If a financial outflow is possible, but the amount cannot be determined, it is recorded in the notes to the Financial Statements. The Company is subject to legal and tax proceedings concerning complex and difficult legal issues, of varying degrees of uncertainty, including facts and circumstances relative to each case, jurisdiction and different applicable laws. Given the uncertainties concerning these issues, it is hard to predict with certainty the outflow arising from these disputes and it is therefore possible that the value of provisions for legal proceedings and disputes of the Company may vary as a result of future developments in proceedings underway.
The Company monitors the status of ongoing proceedings and consults its legal and tax advisers.

Amortisation and Depreciation

The cost of assets is amortised/depreciated on a straight line basis over their estimated useful life. The economic useful life of Company assets is determined by Directors at the time of purchase; the calculation is based on historical experience gained in years of operations and on knowledge of technological innovations that may make the asset obsolete and no longer economical.
The Company periodically evaluates technological and segment changes, in order to update the remaining useful life. This periodic updating could change the amortisation/depreciation period and therefore amortisation/depreciation charges of future years.

Income tax

The Company is subject to Italian income tax laws. Tax liabilities are determined based on management valuations referred to transactions of which the tax effect is not certain at the end of the reporting period. The Company recognises the liabilities that could arise from future inspections of tax authorities based on an estimate of taxes that will be due. If the outcome of inspections differs from management's estimates, significant effects on current and deferred taxes could arise.

Rounding off

All amounts in the tables and in these notes have been rounded off to thousands of euros.

New accounting standards, amendments and interpretations applied as from 1 January 2018

As from 1 January 2018, some changes have been made to international accounting standards and interpretations, without any significant impact on the Company's financial statements. The main changes are outlined below:

IFRS 15 "Revenue from Contracts with Customers"

The new standard is applicable retrospectively for years commencing on or after 1 January 2018. IFRS 15 sets out the requirements for recognising revenues, introducing an approach whereby revenue is only recognised if contractual obligations have been met in full. According to the standard, revenue is recognised based on the following five steps:
- identify the contract;
- identify individual obligations;
- determine the transaction price;
- allocate the transaction price to individual obligations based on their "market prices" ("stand-alone selling price");
- recognise revenue allocated to the individual obligation when it is regulated, i.e. when the customer acquires control of the goods and/or services.

The Company has carried out in-depth analysis of the different types of contracts relative to the sale of two-/three- and four-wheeler vehicles, spare parts, accessories and components to dealers, importers or direct customers that represent the most significant component, as well as types of contract with less economic impact (for example royalties). Following this analysis, the Company concluded that there is no significant impact arising from the adoption of the new standard, as the most significant component of revenue will continue to be recognised in line with previous accounting guidelines.
Revenues from the sale of two-/three- and four-wheeler vehicles, spare parts, accessories and components are recognised when control is transferred and when the Group meets its obligation transferring the promised asset to the customer.
One exception is a number of scheduled maintenance schemes and extended warranties that go beyond the statutory period (sold together with the vehicle) which, according to the new standard, constitute separate performance bonds and, as such, must now be identified and accounted for separately from the vehicle revenue. To date, these scheduled maintenance plans / extended warranties have, however, been limited in number and mainly provided in the Vietnamese market.
Other differences in approach refer to different ways of representing revenues, without however impacting results, and refer to a different approach to classifying some types of bonuses paid to dealers, consumer financing plans, procedures for representing funds returned by customers (only applicable for the US market in which there is a legal obligation to buy back the vehicle from dealers on the occurrence of certain conditions).
The Company has adopted IFRS 15 and all related amendments retrospectively, without amending 2017 financial statement data which are presented for comparison, but instead indicating the effects on various items of the 2018 financial statement items if the standard had not been adopted.

The effects of adopting IFRS 15 on the income statement for 2018 are summarised in the following table:

IN THOUSANDS OF EUROS	2018 PUBLISHED	RECLASSIFICATIONS	2018 WITHOUT THE ADOPTION OF IFRS 15
Net revenues	799,573	7,865	807,438
Cost for materials	(480,289)	(2,159)	(482,448)
Costs for services	(163,360)	(5,706)	(169,066)
Operating income	**12,727**		**12,727**

IFRS 9 "Financial Instruments"

The new provisions of IFRS 9: (i) amend the model that classifies and measures financial assets; (ii) introduce a new method for writing down financial assets, that takes account of expected credit losses; (iii) amend hedge accounting provisions and (iv) establish new criteria for the recognition of transactions amending financial liabilities. The provisions of IFRS 9 will be applicable for years commencing on or after 1 January 2018. Early application was allowed.

The Company has adopted IFRS 9 and all related amendments retrospectively, without amending 2017 financial statement data which are presented for comparison, but instead indicating the effects on various items of the previous year's financial statement items if the standard had not been adopted, and recognising these effects in shareholders' equity at 1 January 2018.

Classification and measurement

With reference to the classification and measurement of financial assets, the Company adopts the following business models:
- a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets(the "hold to collect and sell" business model) ;
- a business model whose objective is to hold financial assets intended for collecting contractual cash flows (the "hold to collect" business model).

For both types, the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.
Held financial assets are measured:
- at amortised cost in the case of financial assets relative to the "hold to collect" business model;
- at fair value recognised in other comprehensive income in the case of financial assets relative to the "hold to collect and sell" business model.

Impairment of financial assets

As regards the introduction of new methods for the impairment of financial assets, the Company has revised its method for determining the credit loss allowance since 1 January 2018, considering expected losses, as provided for by the new standard, without having identified any significant impact on profit/loss for the year or on equity resulting form the adoption of IFRS 9.
The Company measures the credit loss allowance for an amount equal to the losses expected over the full lifetime of the credit, with a method that considers whether, at the reporting date, the credit risk relative to a financial instrument has increased significantly after initial recognition or otherwise.
For trade receivables, the Company adopts the simplified approach allowed by the new standard, measuring the credit loss allowance for an amount equal to the losses expected over the full lifetime of the credit.
Lastly, IFRS 9 has amended IAS 1 (82 ba) requiring the separate recognition of impairment losses (including reversals of impairment losses and impairment gains) in profit or loss.

Hedge accounting

The Company has opted for a policy choice approach, enabling it to refer to requirements in IAS 39 on hedge accounting. The new requirements of IFRS 9 have therefore been deferred to a time when the macro-hedging project will be complete.

New criteria for the recognition of transactions amending financial liabilities

With the introduction of IFRS 9, in the event of the renegotiation of a financial liability that does not qualify as "extinction of the original debt", the difference between i) the book value of the pre-change liability and ii) the present value of the cash flows of the revised debt, discounted at the original rate (IRR), is accounted for in the income statement. The Company has examined the liability management operations conducted in previous years. The effects deriving from the adoption of IFRS 9 are summarised in the following table:

IN THOUSANDS OF EUROS	2017 FINANCIAL STATEMENTS	EFFECT OF IFRS 9	OPENING BALANCE 1 JANUARY 2018
Assets			
Deferred tax assets	42,447	1,269	43,716
Total assets		**1,269**	
Liabilities			
Shareholders' equity	310,613	(4,020)	306,593
Financial liabilities	522,593	5,526	528,119
Other payables	43,974	(237)	43,737
Total liabilities		**1,269**	

Amendment to IFRS 2 "Share-based Payment"

The amendments clarify how some share-based payments are recognised.

Amendment to IAS 40 – "Investment Property"

These amendments clarify change in use, which is a necessary condition for transfer from/to Investment Property.

Series of annual amendments to IFRS 2014-2016

The main amendment concerns IAS 28 "Investments in Associates and Joint Ventures".
The amendments clarify, correct or remove redundant wording in the related IFRS and did not have a material impact on the Financial Statements or on disclosure.

Interpretation IFRIC 22

The amendment addresses the exchange rate to use in transactions that involve also advance consideration paid or received in a foreign currency.

Accounting standards amendments and interpretations not yet adopted

In the month of January 2016, the IASB published IFRS 16 "Leases". This new standard will replace the current IAS 17. The main change concerns the accounting of lease agreements by lessees that, according to IAS 17, were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). With IFRS 16, operating leases will be treated for accounting purposes as finance leases. According to the new standard, an asset (the right to use the leased item) and a financial liability to pay for rent are recognised. The IASB has provided for the optional exemption for certain leasing contracts and low value and short-term leases.
This standard will apply from 1 January 2019. Early application was possible if IFRS 15 "Revenue from contracts with customers" was jointly adopted.
The company has carried out in-depth analysis on all lease agreements in effect as of 31 December 2018, in view of new accounting arrangements for leases established in IFRS 16. The standard will mainly have an effect on the recognition of the company's operating leases.
At the end of the reporting period, the company had operating lease commitments which could not cancelled for €15 million, as indicated in section 45 below – "Contract commitments and guarantees". Of these commitments, approximately €0.5 million refer to short-term lease agreements, €0.5 million to leases of a modest value that will be recognised on a straight-line basis as lease and rental costs and €3 million refer to service agreements for which IFRS 16 is not applicable.
For remaining lease commitments, the Company will recognise assets for lease and rental costs amounting to approximately €9.5 million at 1 January 2019, other financial assets for €0.5 million and lease liabilities for €10 million, with a positive effect on Shareholders' equity of €0.1 million.

Based on ongoing agreements, the Group expects profit before tax to decrease by approximately €0.1 million for 2019, following the adoption of the new versions of the standards, which require costs to be recognised no longer on a straight line basis as lease and rental costs, but instead as (constant) amortisation and as borrowing costs (which are variable depending on the debt). EBITDA is expected to increase by approximately €3 million, as the amortisation of assets and interest in lease rights are excluded.
Operating cash flows will go up by approximately €3 million, while cash flows from financing activities will go down by approximately €3 million, as the reimbursement of the capital portion of lease liabilities will be classified as cash flow from financing activities.
Assets of the company in a capacity as lessor are not significant and therefore the Group does not expect considerable effects on the financial statements.
The Company will adopt the standard from the mandatory date of 1 January 2019, using the simplified transition approach and will not amend comparative figures of the year prior to first-time adoption. Assets recognised for lease and rental costs will be measured for the amount of the lease debt at the time of adoption.

Accounting standards amendments and interpretations not yet applicable

At the date of these Financial Statements, competent bodies of the European Union had not completed the approval process necessary for the application of the following accounting standards and amendments:

- In May 2017, the IASB issued the new standard IFRS 17 – Insurance Contracts. The new standard will replace IFRS 4 and will be effective from 1 January 2021.
- In June 2017 the IASB published interpretation IFRIC 23 "Uncertainty over Income Tax Treatments" which provides information on how to account for uncertainties over the tax treatment of a given phenomenon in the recognition of income taxes. IFRIC 23 will be effective from 1 January 2019.
- In October 2017, the IASB published some amendments to IAS 28 providing clarifications on affiliated companies or joint ventures to whom the equity method is not applied, based on IFRS 9. These amendments will apply from 1 January 2019 (approved on 8 February 2019).
- In December 2017, the IASB published its annual improvements to IFRS 2015–2017 (IFRS 3, IFRS 11, IAS 12 and IAS 23) that will be valid starting from 1 January 2019.
- In February 2018, the IASB published some amendments to IAS 19, that will require companies to revise assumptions for determining the cost and borrowing costs at each change of the plan. These amendments will apply from 1 January 2019.
- In October 2018, the IASB published some amendments to IAS 1 and IAS 8 that provide clarifications on the definition of "materiality". These amendments will apply from 1 January 2020.
- In October 2018, the IASB published some amendments to IFRS 3 that amend the definition of "business". These amendments will apply from 1 January 2020.

The Company will adopt these new standards, amendments and interpretations, based on the application date indicated, and will evaluate potential impact, when the standards, amendments and interpretations are endorsed by the European Union.

OTHER INFORMATION

Departures pursuant to article 2423, section 4 of the Italian Civil Code

No exceptional circumstances occurred requiring departures from legal provisions concerning Financial Statements pursuant to article 2423, section 4 of the Italian Civil Code.

Article 2428 of the Italian Civil Code

The information required as of article 2428 paragraphs 1, 2, 3 and 6 is given in the Report on Operations. Information on financial instruments, objectives and financial risk management policies is given in Section E of these notes. The registered office of the Company is in Viale R. Piaggio 25 56025 Pontedera (Pisa). Other offices of the Company are in Via G. Galilei 1 Noale (Venice) and in via E.V. Parodi 57 Mandello del Lario (Lecco).

B) INFORMATION ON THE INCOME STATEMENT

3. Net revenues €/000 799,573

Revenues for disposals of company core business assets essentially refer to the marketing of vehicles and spare parts on European and non-European markets. They are recognised net of premiums paid to customers and include sales to Group companies amounting to €/000 86,618.

Revenues by geographic segment

The breakdown of revenues by geographic segment is shown in the following table:

IN THOUSANDS OF EUROS	2018		2017		CHANGE	
	AMOUNT	%	AMOUNT	%	AMOUNT	%
EMEA and Americas	777,172	97.20	785,218	96.02	(8,046)	(1.02)
Asia Pacific	20,726	2.59	31,707	3.88	(10,981)	(34.63)
India	1,675	0.21	839	0.10	836	99.64
TOTAL	**799,573**	**100.00**	**817,764**	**100.00**	**(18,191)**	**(2.22)**

Revenues by type of product

The breakdown of revenues by type of product is shown in the following table:

IN THOUSANDS OF EUROS	2018		2017		CHANGE	
	AMOUNT	%	AMOUNT	%	AMOUNT	%
Two-wheeler	711,186	88.95	727,980	89.02	(16,794)	(2.31)
Commercial Vehicles	88,387	11.05	89,784	10.98	(1,397)	(1.56)
TOTAL	**799,573**	**100.00**	**817,764**	**100.00**	**(18,191)**	**(2.22)**

In 2018, net sales revenues decreased by €/000 18,191.

4. Costs for materials €/000 (480,289)

This item totalled €/000 480,289 compared to €/000 483,186 as of 31 December 2017, with a decrease of 0.6% over the previous year and includes costs for purchases from Group companies amounting to €/000 94,099.
The percentage of costs for materials accounting for net sales went up, from 59% in 2017 to 60% in 2018.
Costs for materials include costs for transport and outsourcing services relative to purchased assets.
The following table details the content of this item:

IN THOUSANDS OF EUROS	2018	2017	CHANGE
Raw, ancillary materials, consumables and goods	(485,832)	(491,530)	5,698
Change in inventories of raw, ancillary materials, consumables and goods	1,554	1,052	502
Change in work in progress of semifinished and finished products	3,989	7,292	(3,303)
Total costs for purchases	**(480,289)**	**(483,186)**	**2,897**

5. Costs for services and leases and rental costs €/000 (163,360)

This item totalled €/000 163,360 compared to €/000 170,663 as of 31 December 2017 and includes costs from Group companies and other related parties amounting to €/000 41,618.

Below is a breakdown of this item:

IN THOUSANDS OF EUROS	2018	2017	CHANGE
Employee costs	(6,744)	(6,805)	61
External maintenance and cleaning costs	(5,636)	(5,626)	(10)
Energy and telephone costs	(8,626)	(8,492)	(134)
Postal expenses	(373)	(395)	22
Commissions payable	(20,729)	(19,872)	(857)
Advertising and promotion	(13,083)	(11,967)	(1,116)
Technical, legal and tax consultancy and services	(10,645)	(9,478)	(1,167)
Company boards operating costs	(2,474)	(2,345)	(129)
Insurance	(2,402)	(2,521)	119
Outsourced manufacturing	(15,606)	(18,910)	3,304
Outsourced services	(7,885)	(8,197)	312
Transport costs (vehicles and spare parts)	(24,043)	(25,599)	1,556
Internal shuttle services	(285)	(481)	196
Sundry commercial expenses	(4,644)	(4,844)	200
Public relations	(1,016)	(1,102)	86
Product warranty costs	(1,275)	(6,919)	5,644
Costs for quality-related events	(3,665)	(3,338)	(327)
Bank costs and factoring charges	(3,790)	(4,017)	227
Misc services provided in the business year	(2,696)	(2,856)	160
Other services	(17,268)	(15,636)	(1,632)
Lease and rental costs	(10,475)	(11,263)	788
Total costs for services	**(163,360)**	**(170,663)**	**7,303**

Costs for quality-related events were partially offset by compensation received, recognised under "Other operating income" and amounting to €/000 3,019.
Lease and rental costs refer to €/000 2,464 for rental payments for buildings and €/000 8,011 for car, software and photocopier hire payments.
Third party work of €/000 15,606 refers to the processing of production components by outsourced suppliers.

Expenses for company boards are shown in the table below:

IN THOUSANDS OF EUROS	2018
Directors	2,174
Statutory auditors	161
Supervisory Body	63
Internal Control Committee	41
Remuneration Committee	30
Reimbursement of expenses	5
Total fees	**2,474**

Business services include services for the disposal of waste and water treatment amounting to €/000 1,509.
Other services include €/000 13,255 for technical, sports and promotional services for Group brands supplied by the subsidiary Aprilia Racing, €/000 1,074 for technical services supplied by the subsidiaries Foshan Piaggio Vehicles Technology Research and Development Co and Piaggio Advanced Design Co and €/000 1,000 for management services supplied by the parent company IMMSI S.p.A.
Insurance costs include €/000 35 paid with related parties. Lease and rental costs include €1,501 paid with related parties.

6. Employee costs €/000 (157,161)

Employee costs are broken down as follows:

IN THOUSANDS OF EUROS	2018	2017	CHANGE
Salaries and wages	(108,365)	(109,695)	1,330
Social security contributions	(36,229)	(36,608)	379
Termination benefits	(7,682)	(7,726)	44
Other costs	(4,885)	(5,274)	389
Total	**(157,161)**	**(159,303)**	**2,142**

The workforce as of 31 December 2018 totalled 3,275, of which 13 members of staff on a fixed-term contract. Below is a breakdown of the headcount by actual number and average number:

	AVERAGE NUMBER		
LEVEL	2018	2017	CHANGE
Senior management	72	74	(2)
Middle management	232	230	2
White collars	876	875	1
Blue collars	2,259	2,172	87
Total	**3,439**	**3,351**	**88**

	NUMBER AS OF		
LEVEL	31-DEC-18	31-DEC-17	CHANGE
Senior management	73	73	0
Middle management	232	232	0
White collars	871	876	(5)
Blue collars	2,099	2,208	(109)
Total	**3,275**	**3,389**	**(114)**

Changes in employee numbers in the two periods are compared below:

LEVEL	AS OF 31.12.17	INCOMING	LEAVERS	RELOCATIONS	AS OF 31.12.18
Senior management	73	1	(4)	3	73
Middle management	232	10	(21)	11	232
White collars	876	59	(55)	(9)	871
Blue collars	2,208	1	(105)	(5)	2,099
Total (*)	**3,389**	**71**	**(185)**	**0**	**3,275**
(*) of which fixed-term contracts	11				13

7. Amortisation/depreciation and impairment costs €/000 (84,552)

Amortisation and depreciation for the period, divided by category, is shown below:

IN THOUSANDS OF EUROS	2018	2017	CHANGE
PROPERTY, PLANT AND EQUIPMENT:			
Buildings	(4,145)	(4,148)	3
Plant and equipment	(8,552)	(9,206)	654
Industrial and commercial equipment	(9,428)	(11,070)	1,642
Other assets	(490)	(507)	17
Total depreciation of tangible fixed assets	**(22,615)**	**(24,931)**	**2,316**
Impairment costs of property, plant and equipment	(622)		(622)
Total depreciation of property, plant and equipment and impairment costs	**(23,237)**	**(24,931)**	**1,694**

IN THOUSANDS OF EUROS	2018	2017	CHANGE
INTANGIBLE ASSETS:			
Development costs	(24,811)	(26,334)	1,523
Industrial Patent and Intellectual Property Rights	(30,026)	(30,983)	957
Concessions, licences, trademarks and similar rights	(4,546)	(4,546)	0
Total amortisation of intangible fixed assets	**(59,383)**	**(61,863)**	**2,480**
Impairment costs of intangible assets	(1,932)	(3,164)	1,232
Total amortisation of intangible assets and impairment costs	**(61,315)**	**(65,027)**	**3,712**

The impairment of property, plant and equipment refers to the disposal of assets no longer necessary for the operations of the Company.

As set out in more detail in the paragraph on intangible assets, as from 1 January 2005, goodwill is no longer amortised, but tested annually for impairment.

The impairment test carried out as of 31 December 2018 confirmed the full recoverability of the amounts recorded in the financial statements.
Impairment costs of intangible assets refer to development projects for which production plans were reviewed in the context of the Company's 2019-2022 Industrial Plan.

Amortisation of the item "Concessions, licences, trademarks and similar rights" refers to amortisation of the Aprilia brand for €/000 2,916, of the Guzzi brand for €/000 1,625 and of other brands from the merged company Aprilia for €/000 5.
The item "Industrial Patent and Intellectual Property Rights" includes amortisation relative to software equal to €/000 5,964.

8. Other operating income €/000 113,305

This item consists of:

IN THOUSANDS OF EUROS	2018	2017	CHANGE
Operating grants	1,028	1,909	(881)
Increases in fixed assets from internal work	39,051	34,707	4,344
Other revenue and income:			
- Expenses recovered in invoices	21,037	21,743	(706)
- Rent receipts	528	426	102
- Capital gains on the disposal of assets	38	867	(829)
- Recovery of transport costs	251	260	(9)
- Recovery of business costs	2,857	2,706	151
- Recovery of registration costs	4	31	(27)
- Recovery of stamp duty	779	839	(60)
- Recovery of labour costs	4,273	4,537	(264)
- Recovery of supplier costs	629	663	(34)
- Recovery of warranty costs	35	56	(21)
- Recovery of taxes from customers	662	851	(189)
- Recovery of sundry costs	1,266	2,401	(1,135)
- Provision of services to group companies	9,498	11,369	(1,871)
- Licence rights and know-how	21,140	17,142	3,998
- Commission receivable	2,030	1,879	151
- Compensation from damage to third parties	1,842	638	1,204
- Compensation from third parties for quality-related events	3,019	1,951	1,068
- Sponsorship	205	129	76
- Clearance of payables	325	22	303
- Other income	2,808	3,380	(572)
Total other operating income	**113,305**	**108,506**	**4,799**

The increase amounted to €/000 4,799.
This item includes income from Group companies for a total of €/000 36,827.
Operating grants refer to:
- €/000 625 refers to other public grants concerning research projects;
- €/000 354 for funding for professional training provided by trade associations;
- €/000 49 for the portion relative to the year, of sums received from a customer for product development.

During the period, internal costs for development projects and know how of €/000 38,157 were capitalised, in addition to internal costs for the development of software for €/000 736 and internal costs for the construction of property, plant and equipment, amounting to €/000 158.
Expenses recovered in invoices refer to costs for preparation, advertising, insurance, transport and packaging charged to clients directly in product sales invoices.
This item also includes charges made to other Group companies amounting to €/872 and to third parties for €/394 for the recovery of sundry costs.
Licence rights were obtained from the subsidiaries Piaggio Vehicles (€/000 11,949) and Piaggio Vietnam (€/000 7,409), as well as from the associate Zongshen Piaggio Foshan Motorcycle Co. Ltd. (€/000 137).
Income (€/000 150) was also generated from the associate Zongshen Piaggio Foshan Motorcycle Co. Ltd. for technical assistance concerning the sale of know-how.
Income from the recovery of labour costs mainly refers to amounts charged to Group companies for the use of personnel.
The recovery of costs from suppliers refers to amounts charged for the reprocessing of materials and final inspections, and for failure to supply assembly lines with material.
The recovery of tax duties mainly refers to dealers being charged stamp duty on vehicle conformity certificates.

9. Net reversals (impairment) of trade and other receivables €/000 (1,943)

This item consists of:

IN THOUSANDS OF EUROS	2018	2017	CHANGE
Losses on receivables	(20)	(67)	47
Write-down of receivables in working capital	(1,923)	(1,799)	(124)
Total	**(1,943)**	**(1,866)**	**(77)**

10. Other operating costs €/000 (12,847)

This item consists of:

IN THOUSANDS OF EUROS	2018	2017	CHANGE
Provisions for product warranties	(6,111)	(8,521)	2,410
Total other provisions	*(6,111)*	*(8,521)*	*2,410*
Stamp duty	(883)	(954)	71
Duties and taxes not on income	(1,512)	(1,823)	311
Local tax, formerly council tax	(1,226)	(1,202)	(24)
Various subscriptions	(922)	(934)	12
Social charges	(588)	(438)	(150)
Capital losses from disposal of assets	(6)	(219)	213
Miscellaneous expenses	(1,599)	(1,721)	122
Total sundry operating costs	*(6,736)*	*(7,291)*	*555*
Total other operating costs	**(12,847)**	**(15,812)**	**2,965**

In total, other operating costs, which include costs from Group companies of €/000 859, decreased by €/000 2,965.

Stamp duty of €/000 883 mainly refers to the tax due on vehicle conformity certificates. This cost is charged to Dealers and the recovered amount is entered under "Other operating income".

11. Income/(loss) from investments €/000 45,148

This item consists of:

IN THOUSANDS OF EUROS	2018	2017	CHANGE
Positive differences from the equity method valuation in subsidiaries	59,581	45,952	13,629
Positive differences from the equity method valuation in associates	313	545	(232)
Negative differences from the equity method valuation in subsidiaries	(14,754)	(8,488)	(6,266)
Negative differences from the equity method valuation in associates	0	(15)	15
Dividends from the investments of non-controlling interests	8	109	(101)
Total	**45,148**	**38,103**	**7,045**

The tables below show the positive and negative differences for investments in subsidiaries and associates, valued using the Equity Method.

IN THOUSANDS OF EUROS	2018	2017	CHANGE
POSITIVE DIFFERENCES FROM THE EQUITY METHOD VALUATION IN SUBSIDIARIES			
Piaggio Vespa B.V.	8,457	6,972	1,485
Piaggio China	114	210	(96)
Piaggio Vehicles Pvt.	37,338	27,125	10,213
Piaggio Vietnam	13,325	11,197	2,128
Piaggio España	323	332	(9)
Piaggio Advanced Design Center Corporation	24	16	8
Atlantic 12 FCIIC	-	100	(100)
Total	**59,581**	**45,952**	**13,629**

IN THOUSANDS OF EUROS	2018	2017	CHANGE
POSITIVE DIFFERENCES FROM THE EQUITY METHOD VALUATION IN ASSOCIATES			
Pontedera & Tecnologia	16		16
Zongshen Piaggio Foshan Motorcycle	297	545	(248)
Total	**313**	**545**	**(232)**

IN THOUSANDS OF EUROS	2018	2017	CHANGE
NEGATIVE DIFFERENCES FROM THE EQUITY METHOD VALUATION IN SUBSIDIARIES			
Nacional Motor	(1,669)	0	(1,669)
Aprilia Racing	(440)	(1,205)	765
Piaggio Indonesia	(1)	(3)	2
Piaggio Fast Forward	(11,474)	(6,629)	(4,845)
Piaggio Concept Store	(612)	(651)	39
FCIIC Atlantic	(558)	0	(558)
Total	**(14,754)**	**(8,488)**	**(6,266)**

IN THOUSANDS OF EUROS	2018	2017	CHANGE
NEGATIVE DIFFERENCES FROM THE EQUITY METHOD VALUATION IN ASSOCIATES			
Pontedera & Tecnologia	0	(15)	15
Total	**0**	**(15)**	**15**

12. Net financial proceeds/(charges) €/000 (21,285)

This item consists of:

IN THOUSANDS OF EUROS	2018	2017	CHANGE
Total financial income	5,607	370	5,237
Total borrowing costs	(26,445)	(26,805)	360
Total net exchange gains/(losses)	(447)	(101)	(346)
Net financial income (borrowing costs)	**(21,285)**	**(26,536)**	**5,251**

The balance of financial income (charges) in 2018 was negative (- €/000 21,285), down by €/000 5,251 on the previous year (- €/000 26,536), mainly due to the reduction in the average cost of debt due to refinancing operations completed in 2018. This performance was further improved by non-recurring net income of €/000 901 from the liability management operation on the "Eur 250 million Piaggio 4.625% due 2021" debenture loan, and recognised in profit or loss, as required by IFRS 9, of which €/000 4,431 under "Other financial income" and €/000 3,530 under "Interest on debenture loans.

Below is the breakdown of borrowing costs and income:

IN THOUSANDS OF EUROS	2018	2017	CHANGE
Financial income:			
- From subsidiaries	537	317	220
- From the Parent company	17	21	(4)
Financial income from third parties:			
- Interest receivable from clients	43	18	25
- Bank and post office interest payable	5	9	(4)
- Interest payable on tax receivables	80		80
- Income from fair value measurements	489		489
- Other	4,436	5	4,431
Total financial income from third parties	5,053	32	5,021
Total financial income	**5,607**	**370**	**5,241**

The amount of €/000 537 recognised as financial income from subsidiaries refers to interest from financing activities relative to the subsidiaries Nacional Motor (€/000 58), Piaggio Concept Store Mantova (€/000 8), Piaggio Fast Forward (€/000 414) and Aprilia Racing (€/000 55). It also includes interest accrued for cash pooling (€/000 2) undertaken with the subsidiaries Piaggio España, Piaggio Deutschland, Piaggio Benelux and Piaggio France.

IN THOUSANDS OF EUROS	2018	2017	CHANGE
Borrowing Costs:			
- Interest payable on debenture loans	(17,530)	(16,403)	(1,127)
- Interest payable on bank accounts	(192)	(93)	(99)
- Interest payable on bank loans	(4,900)	(5,377)	477
- Interest to suppliers	(493)	(450)	(43)
- Interest payable to other lenders	(546)	(499)	(47)
- Interest payable on subdiscount factor operations	(613)	(793)	180
- Cash discounts to clients	(674)	(683)	9
- Income from fair value measurements	-	(359)	359
- Bank charges on loans	(1,061)	(1,365)	304
- Interest payable on lease agreements	(160)	(179)	19
- Borrowing costs from discounting back termination and termination benefits	(454)	(640)	186
- Other	(6)	(29)	23
Total borrowing costs	**(26,629)**	**(26,870)**	**241**
Costs capitalised on Property, Plant and Equipment	18	5	13
Costs capitalised on Intangible Assets	166	60	106
Total Capitalised Costs	**184**	**65**	**119**
Total borrowing costs	**(26,445)**	**(26,805)**	**360**

During 2018, borrowing costs for €/000 184 were capitalised (65 in 2017). The average rate used for the capitalisation of borrowing costs (because of general loans), was equal to 3.75% (4.40% in 2017).
Of the interest on the debenture loans, €/000 82 (€/000 134 in 2017) refers to the parent company Omniaholding.
Interest payable to other lenders mainly refers to interest payable to factoring companies and banks for the sale of trade receivables.

IN THOUSANDS OF EUROS	2018	2017	CHANGE
EXCHANGE DIFFERENCES FROM SALE			
- Exchange gains	8,258	8,070	188
- Exchange losses	(8,593)	(8,397)	(196)
Total exchange gains (losses)	*(335)*	*(327)*	*(8)*
EXCHANGE DIFFERENCES FROM MEASUREMENT			
- Exchange gains	398	885	(487)
- Exchange losses	(510)	(659)	149
Total valuation exchange gains (losses)	*(112)*	*226*	*(338)*
Net exchange gains/(losses)	**(447)**	**(101)**	**(346)**

13. Taxes €/000 (1,012)

The item "Income taxes" is detailed below:

IN THOUSANDS OF EUROS	2018	2017	CHANGE
Current taxes	793	562	231
Deferred tax assets/liabilities	(2,033)	2,858	(4,891)
Taxes of previous years	228	124	104
Total taxes	**(1,012)**	**3,544**	**(4,556)**

During 2018, taxes generated a total expense equal to €/000 1,012.
Current taxes generated an income of €/000 793 and comprise:
- €/000 (2,448) for taxation abroad;
- €/000 (567) from regional production tax on income for the year;
- €/000 3,808 from costs arising from transfers within the framework of the Consolidated Tax Convention.

Deferred tax represents the effects on income generated by the deferred tax assets and liabilities.
As regards deferred tax liabilities, during the year new provisions were made for €/000 (458), and provisions from previous years were released for €/000 1,231.
With regard to deferred tax assets, on the other hand, new provisions amounted to €/000 5,148, while the release of amounts allocated in previous years came to €/000 (7,954).
The positive balance of taxes for previous years of €/000 228 is due to receivables, which reduced taxes allocated in previous years.

Reconciliation in relation to the theoretical rate is shown below:

IN THOUSANDS OF EUROS	2018	2017
REVENUE TAXES ON INCOME		
Profit before tax	36,590	17,049
Theoretical rate	24.00%	24.00%
Theoretical tax	(8,782)	(4,092)
Effect due to changes in Profit Before Taxes due to the adoption of tax laws	12,868	9,069
Reversal of deferred corporate tax liabilities allocated in previous years for temporary changes	1,106	825
Reversal of deferred corporate tax assets allocated in previous years for temporary changes	(3,727)	(1,774)
Reversal of deferred tax assets allocated in previous years for tax losses	(3,808)	(2,098)
Taxes on income generated abroad	(2,448)	30
Taxes relative to previous years	22	168
Expenses/income from the Consolidated Tax Convention	3,808	1,144
Tax effect arising from deferred corporate tax liabilities for temporary changes	(431)	(501)
Tax effect arising from deferred corporate tax assets for temporary changes	706	907
Tax effect arising from the adjustment of deferred corporate income tax assets allocated for the tax loss of previous years	340	458
REGIONAL PRODUCTION TAX (IRAP)		
Regional production tax on net revenues for the year	(567)	(612)
Regional production tax referred to previous years	206	(44)
Reversal of deferred regional production tax liabilities allocated in previous years for temporary changes	125	125
Reversal of deferred regional production tax assets allocated in previous years for temporary changes	(419)	(168)
Tax effect arising from deferred regional production tax liabilities for temporary changes	(27)	(27)
Tax effect arising from deferred regional production tax assets for temporary changes	16	134
Income taxes recognised in the financial statements	**(1,012)**	**3,544**

Theoretical income taxes were determined applying the corporate tax rate in effect in Italy (24%) to profit before tax. The impact arising from the regional production tax rate was determined separately, as this tax is not calculated on the basis of profit before tax.

14. Gain/(loss) on assets held for disposal or sale — €/000 0

At the end of the reporting period, there were no gains or losses from assets held for disposal or sale.


V85TT

C) INFORMATION ON OPERATING ASSETS AND LIABILITIES

15. Intangible assets €/000 558,845

Intangible assets increased overall by €/000 9,705 following investments net of disposals and amortisation for the period.
Increases mainly refer to the capitalisation of development costs for new products and new engines, as well as the purchase of software.
During 2018 borrowing costs for €/000 166 were capitalised, applying an average interest rate of 3.75%.

The table below shows the breakdown of intangible assets as of 31 December 2018 and 31 December 2017, as well as movements during the two financial years.

	DEVELOPMENT COSTS			PATENT RIGHTS AND KNOW-HOW			CONCESSIONS, LICENCES AND TRADEMARKS	GOODWILL	TOTAL		
	IN OPERATION	ASSETS UNDER DEVELOPMENT AND ADVANCES	TOTAL	IN OPERATION	ASSETS UNDER DEVELOPMENT AND ADVANCES	TOTAL			IN OPERATION	ASSETS UNDER DEVELOPMENT AND ADVANCES	TOTAL
IN THOUSANDS OF EUROS											
Historical cost	140,447	18,706	159,153	318,927	2,698	321,625	209,105	463,926	1,132,405	21,404	1,153,809
Provisions for write-down	(379)		(379)			0			(379)	0	(379)
Accumulated amortisation	(88,100)		(88,100)	(243,537)		(243,537)	(163,658)	(95,375)	(590,670)	0	(590,670)
Assets as of 01 01 2017	**51,968**	**18,706**	**70,674**	**75,390**	**2,698**	**78,088**	**45,447**	**368,551**	**541,356**	**21,404**	**562,760**
Investments	19,395	305	19,700	29,600	2,147	31,747			48,995	2,452	51,447
Entry into operation in the period	7,557	(7,557)	0	1,549	(1,549)	0			9,106	(9,106)	0
Amortisation	(26,334)		(26,334)	(30,983)		(30,983)	(4,546)		(61,863)	0	(61,863)
Write-downs	(1,007)		(1,007)	(2,157)		(2,157)			(3,164)	0	(3,164)
Disposals	(33)		(33)	(7)		(7)			(40)	0	(40)
Other changes	1		1	(1)		(1)			0	0	0
Total movements 2017	**(421)**	**(7,252)**	**(7,673)**	**(1,999)**	**598**	**(1,401)**	**(4,546)**	**0**	**(6,966)**	**(6,654)**	**(13,620)**
Historical cost	166,893	11,454	178,347	350,069	3,296	353,365	209,105	463,926	1,189,993	14,750	1,204,743
Provisions for write-down	(1,007)		(1,007)	(2,157)		(2,157)			(3,164)	0	(3,164)
Accumulated amortisation	(114,339)		(114,339)	(274,521)		(274,521)	(168,204)	(95,375)	(652,439)	0	(652,439)
Assets as of 31 12 2017	**51,547**	**11,454**	**63,001**	**73,391**	**3,296**	**76,687**	**40,901**	**368,551**	**534,390**	**14,750**	**549,140**
Investments	13,262	13,323	26,585	18,580	25,305	43,885	611		32,453	38,628	71,081
Entry into operation in the period	3,483	(3,483)	0	1,670	(1,670)	0			5,153	(5,153)	0
Amortisation	(24,811)		(24,811)	(30,026)		(30,026)	(4,546)		(59,383)	0	(59,383)
Write-downs	(1,572)		(1,572)	(360)		(360)			(1,932)	0	(1,932)
Disposals	(41)		(41)	(20)		(20)			(61)	0	(61)
Other changes			0			0			0	0	0
Total movements 2018	**(9,679)**	**9,840**	**161**	**(10,156)**	**23,635**	**13,479**	**(3,935)**	**0**	**(23,770)**	**33,475**	**9,705**
Historical cost	182,564	21,294	203,858	368,132	26,931	395,063	209,716	463,926	1,224,338	48,225	1,272,563
Provisions for write-down	(1,572)		(1,572)	(360)		(360)			(1,932)	0	(1,932)
Accumulated amortisation	(139,124)		(139,124)	(304,537)		(304,537)	(172,750)	(95,375)	(711,786)	0	(711,786)
Assets as of 31 12 2018	**41,868**	**21,294**	**63,162**	**63,235**	**26,931**	**90,166**	**36,966**	**368,551**	**510,620**	**48,225**	**558,845**

Development costs €/000 63,162

Development costs include costs for products and engines in projects for which there is an expectation, for the period of the useful life of the asset, to see net sales at such a level in order to allow the recovery of the costs incurred.
Development expenditure for new projects capitalised in 2018 refers to the study of new vehicles and new engines (two-/three-/four-wheelers) which will feature as the top products in the 2018-2020 range.
Borrowing costs attributable to the development of products which require a considerable period of time to be realised are capitalised as a part of the cost of the actual assets. Development costs included under this item are amortised on a straight line basis over a period of 3 to 5 years, in consideration of their remaining useful life.
During 2018, development expenditure amounting to €/000 8,741 was directly recognised in profit or loss.
Pursuant to article 2426, section 5 of the Italian Civil Code, the value of research and development costs still to be amortised equal to €/000 63,162 is unavailable in shareholders' equity.

Industrial Patent and Intellectual Property Rights €/000 90,166

This item refers to patents for €/000 2,935, know how for €/000 67,648 and software for €/000 19,583
As regards software, the increase for the year amounted to €/000 9,767 and mainly refers to the purchase of various licences, as well as the implementation of commercial, production, personnel and administration projects.
Investments in know how amount to €/000 32,627 and mainly refer to new calculation, design and production techniques and methodologies developed by the Company, principally for new products in the 2018-2020 range.
As regards patent rights, costs for €/000 1,491 were capitalised.
Costs for industrial patent and intellectual property rights are amortised on a straight line basis over a period of 3 to 5 years, in consideration of their remaining useful life.

Trademarks, concessions and licences €/000 36,966

The item Trademarks, concessions and licences, equal to €/000 36,966, consists of:

IN THOUSANDS OF EUROS	AS OF 31 DECEMBER 2018	AS OF 31 DECEMBER 2017	CHANGE
Guzzi trademark	13,000	14,625	(1,625)
Aprilia trademark	23,325	26,241	(2,916)
Minor trademarks	30	35	(5)
Foton licence	611		611
Total Trademark	**36,966**	**40,901**	**(3,935)**

The Guzzi and Aprilia trademarks are amortised over a period of 15 years, expiring in 2026.
The value of other brands acquired with the Aprilia merger decreased during the year by €/000 5 following amortisation calculated on the basis of the estimated useful life.
The Foton licence was acquired following agreements signed in 2018 between Piaggio and the Foton Motor Group for the development and manufacture of a new range of light commercial four-wheelers that will be launched on the market starting from 2020.
The licence will be amortised over 10 years, from production start-up.

Goodwill €/000 368,551

As specified in information on accounting standards, as from 1 January 2005 goodwill is no longer amortised, but is tested for impairment annually, or more frequently if specific events or changed circumstances indicate the possibility of impairment, in accordance with IAS 36 Impairment of Assets (impairment test).
In compliance with IAS 36 the methodology adopted is based on the unlevered version of discounted cash flows.
The main assumptions used by the Company to determine future financial flows, relative to a four-year period, and the consequent recoverable value (value in use) refer to:

a. a hypothesis of estimated financial flows over a four-year period, inferred from budget data for 2019 supplemented by forecast data for 2020-2022, approved by the Board of Directors of the Company, along with an impairment test performed on 21 February 2019;
b. the WACC discount rate.
c. in addition to the period, a growth rate (g rate) has been estimated.

In particular, for discounting cash flows, the Company has adopted a discount rate (WACC) which differs based on different cash generating units. This reflects market valuations of the fair value of money and takes account of specific risks of activities and the geographic segment in which the cash generating unit operates.
In the future cash flows discounting model, a terminal value is entered at the end of the cash flow projection period, to reflect the residual value each cash-generating unit should produce. The terminal value represents the current value, at the last year of the projection, of all subsequent cash flows calculated as perpetual income, and was determined using a growth rate (g rate) which differed by CGU, to reflect the different growth potentials of each CGU.

	EMEA AND AMERICAS	ASIA PACIFIC 2W	INDIA
2018			
WACC	6.4%	8.7%	11.1%
G	1%	2%	2%
Growth rate during the Plan period	6.9%	6.6%	4.6%
2017			
WACC	5.9%	8.4%	10.3%
G	1.0%	2.0%	2.0%
Growth rate during the Plan period	6.9%	8.3%	6.8%

The terminal value growth rate (g rate) is specific for CGUs, considering the area's growth potential.
The medium-/long-term growth rate (g-rate) for determining the Terminal Value of each CGU was considered as reasonable and prudent, in the light of:
- analysts' expectations for the Company (source: Analyst Reports 2018-2019);
- the long-term real GDP growth trend expected for main countries where the Group operates (source: Economist Intelligence Unit – EIU);
- forecasts for the reference sector (source: Freedonia, «World Motorcycle», May 2018).

This rate was determined based on the previous year.
The growth rate during the period of the Plan was determined using the trend expected for the reference sector as the benchmark (source: Freedonia, "World Motorcycle", May 2018).
Analyses did not identify any impairment losses. Therefore no write-down was recognised in the separate financial statements as of 31 December 2018.
In addition, and on the basis of information in the document produced jointly by the Bank of Italy, Consob and Isvap no. 2 of 6 February 2009, the Company conducted sensitivity analysis of test results in relation to changes in basic assumptions (use of the growth rate in producing the terminal value and discount rate) which affect the value in use of cash generating units. In the case of a positive or negative change of 0.5% of the WACC and G used, analyses would not identify impairment losses.
In all cases, the value in use of the Company was higher than the net carrying amount tested.
Given that the recoverable value was estimated, the Company cannot guarantee the absence of goodwill impairment in future financial periods.
Given the current market weakness, the various factors used in processing estimates could require revision; the Company will constantly monitor these factors as well as the existence of impairment losses.

16. Property, plant and equipment €/000 169,362

Property, plant and equipment decreased overall by €/000 1,203. Investments for the period amount to €/000 22,340 and mainly refer to moulds for new vehicles and engines that will be launched in the subsequent year, to drive shaft processing lines, engine test benches and the experimental workshop at Pontedera.
Borrowing costs attributable to the construction of assets which require a considerable period of time to be ready for use are capitalised as a part of the cost of the actual assets.
During 2018 borrowing costs for €/000 18 were capitalised, applying an average interest rate of 3.75%.

The table below shows the breakdown of property, plant and equipment as of 31 December 2018 and 31 December 2017, as well as movements during the years.

	LAND	BUILDINGS			PLANT AND MACHINERY			EQUIPMENT			OTHER ASSETS			TOTAL		
		IN OPERATION	ASSETS UNDER CONSTRUCTION AND ADVANCES	TOTAL	IN OPERATION	ASSETS UNDER CONSTRUCTION AND ADVANCES	TOTAL	IN OPERATION	ASSETS UNDER CONSTRUCTION AND ADVANCES	TOTAL	IN OPERATION	ASSETS UNDER CONSTRUCTION AND ADVANCES	TOTAL	IN OPERATION	ASSETS UNDER CONSTRUCTION AND ADVANCES	TOTAL
IN THOUSANDS OF EUROS																
Historical cost	28,010	135,203	1,736	136,939	302,098	2,032	304,130	479,512	5,229	484,741	24,432	16	24,448	969,255	9,013	978,268
Reversals		4,816		4,816	2,368		2,368	6,253		6,253	199		199	13,636	0	13,636
Provisions for write-down				0			0	(2,318)		(2,318)			0	(2,318)	0	(2,318)
Accumulated depreciation		(62,465)		(62,465)	(258,290)		(258,290)	(462,205)		(462,205)	(22,722)		(22,722)	(805,682)	0	(805,682)
Assets as of 01 01 2017	**28,010**	**77,554**	**1,736**	**79,290**	**46,176**	**2,032**	**48,208**	**21,242**	**5,229**	**26,471**	**1,909**	**16**	**1,925**	**174,891**	**9,013**	**183,904**
Investments		1,124	216	1,340	4,855	792	5,647	5,113	1,598	6,711	407	36	443	11,499	2,642	14,141
Entry into operation in the period		129	(129)	0	1,287	(1,287)	0	1,619	(1,619)	0	15	(15)	0	3,050	(3,050)	0
Depreciation		(4,148)		(4,148)	(9,206)		(9,206)	(11,070)		(11,070)	(507)		(507)	(24,931)	0	(24,931)
Write-downs				0			0			0			0	0	0	0
Disposals	(442)	(153)		(153)	(149)		(149)	(63)	(1,741)	(1,804)			0	(807)	(1,741)	(2,548)
Other changes				0			0			0		(1)	(1)	0	(1)	(1)
Total movements 2017	**(442)**	**(3,048)**	**87**	**(2,961)**	**(3,213)**	**(495)**	**(3,708)**	**(4,401)**	**(1,762)**	**(6,163)**	**(85)**	**20**	**(65)**	**(11,189)**	**(2,150)**	**(13,339)**
Historical cost	27,568	135,931	1,823	137,754	303,372	1,537	304,909	478,925	3,467	482,392	24,841	36	24,877	970,637	6,863	977,500
Reversals		4,816		4,816	2,368		2,368	6,253		6,253	199		199	13,636	0	13,636
Provisions for write-down				0	0		0	(2,318)		(2,318)	0		0	(2,318)	0	(2,318)
Accumulated depreciation		(66,241)		(66,241)	(262,777)		(262,777)	(466,019)		(466,019)	(23,216)		(23,216)	(818,253)	0	(818,253)
Assets as of 31 12 2017	**27,568**	**74,506**	**1,823**	**76,329**	**42,963**	**1,537**	**44,500**	**16,841**	**3,467**	**20,308**	**1,824**	**36**	**1,860**	**163,702**	**6,863**	**170,565**
Investments	72	974	312	1,286	4,101	2,185	6,286	8,638	5,484	14,122	272	302	574	14,057	8,283	22,340
Entry into operation in the period		856	(856)	0	655	(655)	0	1,509	(1,509)	0	36	(36)	0	3,056	(3,056)	0
Depreciation		(4,145)		(4,145)	(8,552)		(8,552)	(9,428)		(9,428)	(490)		(490)	(22,615)	0	(22,615)
Write-downs		(622)		(622)			0			0			0	(622)	0	(622)
Disposals				0	(6)	(127)	(133)	(2)	(170)	(172)	(1)		(1)	(9)	(297)	(306)
Other changes				0			0			0			0	0	0	0
Total movements 2018	**72**	**(2,937)**	**(544)**	**(3,481)**	**(3,802)**	**1,403**	**(2,399)**	**717**	**3,805**	**4,522**	**(183)**	**266**	**83**	**(6,133)**	**4,930**	**(1,203)**
Historical cost	27,640	138,734	1,279	140,013	305,429	2,940	308,369	483,600	7,272	490,872	22,226	302	22,528	977,629	11,793	989,422
Reversals		4,816		4,816	2,368		2,368	6,253		6,253	199		199	13,636	0	13,636
Provisions for write-down		(622)		(622)			0	(2,318)		(2,318)			0	(2,940)	0	(2,940)
Accumulated depreciation		(71,359)		(71,359)	(268,636)		(268,636)	(469,977)		(469,977)	(20,784)		(20,784)	(830,756)	0	(830,756)
Assets as of 31 12 2018	**27,640**	**71,569**	**1,279**	**72,848**	**39,161**	**2,940**	**42,101**	**17,558**	**7,272**	**24,830**	**1,641**	**302**	**1,943**	**157,569**	**11,793**	**169,362**

Land €/000 27,640

The value of land increased by €/000 72 compared to the previous year, following the liquidation of the Atlantic 12 Property Investment Fund.

Buildings €/000 72,848

Buildings decreased overall by €/000 3,481. The negative imbalance is due to new investments made during the year amounting to €/000 1,286, the decrease from depreciation for the period of €/000 4,145 and the write-down of Museum Fuskas of €/000 622.
Capitalisation of €/000 1,286 refers to office buildings and mainly to renovation works at sites at Pontedera, Mandello del Lario, Noale and Scorzè.
During the period, capitalisation amounting to €/000 1,830 was recognised, of which €/000 856 relative to investments made in previous years.

Plant and machinery €/000 42,101

The item decreased overall by €/000 2,399. The negative imbalance is due to new investments made during the year amounting to €/000 6,286, the decrease from depreciation for the period of €/000 8,552 and the disposal of residual costs of €/000 133.

Capitalisation mainly concerned investments in work on production lines of new vehicles and the purchase of new machinery for mechanical processing.
During the period, capitalisation amounting to €/000 4,756 was recognised, of which €/000 655 relative to investments made in previous years.

Equipment €/000 24,830

The item increased overall by €/000 4,522. The negative imbalance is due to depreciation for the period amounting to €/000 9,428 and the disposal of residual costs of €/000 172, partially offset by new investments for €/000 14,122.

Capitalisation relative to equipment concerned moulds for new vehicles launched during the year or scheduled to be launched in the first half of next year, moulds for new engines and specific equipment for assembly lines.
During the period, capitalisation amounting to €/000 10,147 was recognised, of which €/000 1,509 relative to investments made in previous years.

Other plant, property and equipment €/000 1,943

As of 31 December 2018, the item Other assets, including assets under construction, comprised the following:

IN THOUSANDS OF EUROS	AS OF 31 DECEMBER 2018	AS OF 31 DECEMBER 2017	CHANGE
EDP systems	1,065	912	153
Office furniture and equipment	268	324	(56)
Vehicles	28	41	(13)
Cars	582	583	(1)
Total	**1,943**	**1,860**	**83**

The item increased overall by €/000 83. The positive imbalance is due to new investments made during the year amounting to €/000 574, partially offset by amortisation for the period of €/000 490 and the disposal of residual costs of €/000 1.
During the period, capitalisation amounting to €/000 308 was recognised, of which €/000 36 relative to investments made in previous years.

Finance lease agreements

As of 31 December 2018, the net value of assets held through lease agreements was equal to €/000 10,699 and refers to the Pontedera painting plant for the Vespa which was sold and repurchased at the same time through a finance lease agreement.

Warranties

As of 31 December 2018 the Company did not own land and buildings encumbered by mortgage liens or privileges in favour of banks to secure loans obtained in previous years.

17. Investment Property €/000 0

As of 31 December 2018 no investment property was held.

18. Deferred tax assets €/000 41,855

In compliance with IAS 12, the item indicates the net balance of deferred tax assets and liabilities. This net balance is broken down in the table below:

IN THOUSANDS OF EUROS	AS OF 31 DECEMBER 2018	AS OF 31 DECEMBER 2017	CHANGE
Deferred tax assets	55,137	56,525	(1,388)
Deferred tax liabilities	(13,282)	(14,078)	796
Total	**41,855**	**42,447**	**(592)**

Deferred tax assets total €/000 55,137 compared to €/000 56,525 as of 31 December 2017, with a decrease of €/000 1,388.

The balance of deferred tax assets as of 31 December 2018 refers to:
- €/000 21,988 for allocations made for temporary differences;
- €/000 33,149 for allocations made for tax losses generated under the National Consolidated Tax Convention of which IMMSI S.p.A. is the consolidating company.

The negative change of €/000 1,388 is attributable to:
- €/000 (7,953) from the recognition in profit and loss of deferred tax assets recognised in previous years;
- €/000 (91) from the recognition in Other Comprehensive Income of deferred tax assets recognised in previous years;
- €/000 5,147 from the recognition in profit and loss of new deferred tax assets;
- €/000 1,509 from the recognition in Other Comprehensive Income of new deferred tax assets.

Deferred tax assets were recognised in light of forecast results of Piaggio & C. S.p.A., and the foreseeable use of relative tax benefits in future years based on the plan approved by the Board of Directors on 21 February 2019. As Piaggio & C. S.p.A. is part of the National Consolidated Tax Convention of the IMMSI Group, the recovery of deferred tax assets is related to and confirmed by taxable amounts of companies that are part of the above convention, as indicated in the long-term plans approved by their respective Boards.

Details of items affected by the allocation of deferred tax assets as well as the amount of deferred tax assets already recognised and not recognised are shown in the table below.

IN THOUSANDS OF EUROS	AMOUNT	TAX EFFECT 24%	TAX EFFECT 3.9%
Nacional Motor goodwill	11,627	2,791	453
Discounting termination benefit	3,426	822	
Derbi trademark	9,000	2,160	351
Provisions for risks	5,948	1,428	227
Provision for product warranties	10,485	2,516	409
Provisions for bad debts	16,899	4,056	
Provisions for obsolete stock	21,029	5,047	820
Amortised Cost IFRS 9	1,568	376	
Other changes	2,040	490	9
Total for provisions and other changes	**82,022**	**19,686**	**2,269**
2007 tax loss including Moto Guzzi transferred to IMMSI	10,987	2,637	
2011 tax loss transferred to IMMSI	1,024	246	
2012 tax loss transferred to IMMSI	26,625	6,390	
2013 tax loss transferred to IMMSI	30,553	7,333	
2014 tax loss transferred to IMMSI	18,193	4,366	
2015 tax loss transferred to IMMSI	21,191	5,086	
2016 tax loss transferred to IMMSI	7,623	1,829	
2017 tax loss transferred to IMMSI	4,900	1,176	
2018 tax loss transferred to IMMSI	17,025	4,086	
Total out of tax losses	**138,121**	**33,149**	**0**
Losses from the fair value measurement of financial instruments		**33**	
Deferred tax assets already recognised		**55,137**	
Deferred tax assets not recognised for provisions and other changes		**0**	

Overall, the movement of deferred tax assets can be summarised as follows:

IN THOUSANDS OF EUROS	VALUES AS OF 31 DECEMBER 2017	PORTION TO THE INCOME STATEMENT	PORTION TO THE STATEMENT OF COMPREHENSIVE INCOME	PORTION TO THE INCOME STATEMENT	PORTION TO THE STATEMENT OF COMPREHENSIVE INCOME	VALUES AS OF 31 DECEMBER 2018
DEFERRED TAX ASSETS FOR:						
Temporary changes	23,993	(4,145)	(91)	722	1,509	21,988
Losses generated within the framework of tax consolidation	32,532	(3,808)		4,425		33,149
Total	**56,525**	**(7,953)**	**(91)**	**5,147**	**1,509**	**55,137**

Deferred tax assets total €/000 13,282 compared to €/000 14,078 as of 31 December 2017, recording a positive change of €/000 796.

As of 31 December 2018, provisions for deferred taxes referred to:

- €/000 3,258 for the surplus value recognised by the merged company Aprilia in 2005 for buildings already held through leases, and purchased back by Aprilia Leasing S.p.A.
- €/000 282 for temporary changes in taxable income that will be annulled next year;
- €/000 2,957 for depreciation charges minus tax-recognised goodwill values;
- €/000 464 for tax-deducted costs, off the accounts, in relation to the application of IAS/IFRS;
- €/000 2,700 for allocation of the merger loss to the Aprilia brand, arising from its merger in 2005;
- €/000 3,621 for allocation of the merger loss to the Guzzi brand, arising from its merger in 2008.

Provisions for deferred tax liabilities were reduced in the period by €/000 1,254 following issue of the relative portion, of which €/000 23 recorded as Other Comprehensive Income and increased overall by €/000 458 for new provisions.

Deferred tax assets and liabilities were determined applying the tax rate in effect in the year when temporary differences occur.

19. Inventories €/000 166,463

This item comprises:

IN THOUSANDS OF EUROS	AS OF 31 DECEMBER 2018	AS OF 31 DECEMBER 2017	CHANGE
Raw materials and consumables	67,993	68,378	(385)
Provision for write-down	(3,883)	(7,845)	3,962
Net value	**64,110**	**60,533**	**3,577**
Work in progress and semifinished products	17,111	17,288	(177)
Provision for write-down	(852)	(852)	0
Net value	**16,259**	**16,436**	**(177)**
Finished products and goods	102,354	103,996	(1,642)
Provision for write-down	(16,295)	(20,080)	3,785
Net value	**86,059**	**83,916**	**2,143**
Advances	35	4	31
TOTAL	**166,463**	**160,889**	**5,574**

As of 31 December 2018, inventories had increased by €/000 5,574, in line with production volumes and sales in the year.
Changes in the obsolescence fund are summarised in the table below:

IN THOUSANDS OF EUROS	AS OF 31 DECEMBER 2017	USE	ALLOCATION	AS OF 31 DECEMBER 2018
Raw materials	7,844	(4,769)	807	3,882
Work in progress and semifinished products	852			852
Finished products and goods	20,081	(8,689)	4,903	16,295
TOTAL	**28,777**	**(13,458)**	**5,710**	**21,029**

20. Current trade receivables €/000 48,063

Current trade receivables increased by €/000 1,185.
No non-current trade receivables were recorded for either period.

IN THOUSANDS OF EUROS	AS OF 31 DECEMBER 2018	AS OF 31 DECEMBER 2017	CHANGE
Trade receivables	25,085	28,527	(3,442)
Trade receivables due from subsidiaries	21,985	16,187	5,798
Trade receivables due from affiliated companies	981	2,162	(1,181)
Trade receivables due from parent companies	12	2	10
Total	**48,063**	**46,878**	**1,185**

Trade receivables are recorded net of a provision for bad debts equal to €/000 20,810.
Trade receivables comprise receivables referred to normal sales operations and include receivables in foreign currency for a total value, at the exchange rate in effect as of 31 December 2018, taking account of exchange risk hedging, of €/000 11,262.

The item "Trade receivables" includes invoices to issue amounting to €/000 3,048 relative to normal business transactions and credit notes to issue amounting to €/000 9,118 mainly referring to premiums to pay to the sales network in Italy and abroad for having reached targets.
Trade receivables are usually sold to factoring companies and mainly on a without recourse and advance payment collection basis.
The Company sells a large part of its trade receivables with and without recourse. Piaggio has signed contracts with

some of the most important Italian and foreign factoring companies as a move to optimise the monitoring and the management of its trade receivables, besides offering its customers an instrument for funding their own inventories, for factoring classified as without the substantial transfer of risks and benefits. On the contrary, for factoring without recourse, contracts have been formalised for the substantial transfer of risks and benefits. As of 31 December 2018, trade receivables still due, sold without recourse, totalled €/000 56,709. Of this amount, Piaggio received advance payments for €/000 56,382. As of 31 December 2018, advance payments received from factoring companies and banks for trade receivables sold with recourse totalled €/000 9,291, with a counter entry recorded in current liabilities.

Movements in the bad debt provisions relative to trade receivables were as follows:

IN THOUSANDS OF EUROS	
Opening balance as of 1 January 2018	**19,655**
Decreases for use recognised in profit or loss	(322)
Increases for allocations	1,477
Closing balance as of 31 December 2018	**20,810**

During the period, the provision for bad trade debts was used to cover losses amounting to €/000 322.
Allocations to the provision were made against risks arising from the valuation of relative receivables as of 31 December 2018.
Trade receivables due from subsidiaries and associates refer to the supply of products undertaken in normal market conditions.

21. Other current and non-current receivables €/000 64,923

Other non-current receivables are broken down as follows:

IN THOUSANDS OF EUROS	AS OF 31 DECEMBER 2018	AS OF 31 DECEMBER 2017	CHANGE
Other receivables due from social security institutions	25	510	(485)
Other receivables due from affiliated companies	94	115	(21)
Other receivables due from third parties	5,940	1,930	4,010
Total	**6,059**	**2,555**	**3,504**

Receivables due from social security institutions refer to sums receivable from and payable by the Italian National Social Security Institute (INPS) for termination benefit accrued by employees on solidarity contracts.
The item "Other" includes guarantee deposits amounting to €/000 875 and prepaid expenses amounting to €/000 5,053.

Other current receivables are broken down as follows:

IN THOUSANDS OF EUROS	AS OF 31 DECEMBER 2018	AS OF 31 DECEMBER 2017	CHANGE
Other receivables due from third parties	9,759	10,393	(634)
Other receivables due from subsidiaries	40,220	36,990	3,230
Other receivables due from affiliated companies	1,056	948	108
Other receivables due from parent companies	13,888	8,930	4,958
Total	**64,923**	**57,261**	**7,662**

The item other receivables due from third parties comprises the following:

IN THOUSANDS OF EUROS	AS OF 31 DECEMBER 2018	AS OF 31 DECEMBER 2017	CHANGE
Receivables due from employees	2,090	1,506	584
Due from social security institutions	1,460	792	668
Sundry receivables from third parties:			
Amounts due to suppliers	95	66	29
Supplier advances	140	1,111	(971)
Invoices and credit to issue	1,444	1,913	(469)
Sundry receivables due from Italian and foreign third parties	2,507	2,299	208
Fair value of derivatives	4	102	(98)
Other receivables	2,019	2,604	(585)
Total	**9,759**	**10,393**	**(634)**

Receivables due from employees refer to advances paid for business trips, sick leave, contract advances, cash provisions, etc.
Sundry receivables due from third parties of €/000 2,507 mainly refer to receivables due from Italian and foreign parties, originating from transactions not related to typical activities. The item is recognised net of provisions for write-downs of €/000 5,887.
Movements in the bad debt provision relative to sundry receivables were as follows:

IN THOUSANDS OF EUROS	
Opening balance as of 1 January 2018	**5,549**
Decreases for use	(33)
Increases for allocations	371
Closing balance as of 31 December 2018	**5,887**

During the measurement of relative receivables as of 31 December 2018, a further allocation to the provision of €/000 371 was necessary.

22. Current and non-current tax receivables — €/000 13,434

Tax receivables are broken down as follows:

IN THOUSANDS OF EUROS	AS OF 31 DECEMBER 2018	AS OF 31 DECEMBER 2017	CHANGE
VAT receivables	2,022	886	1,136
Income tax receivables	11,154	11,333	(179)
Other tax receivables	258	891	(633)
Total	**13,434**	**13,110**	**324**

Non-current tax receivables totalled €/000 10,348 compared to €/000 9,351 as of 31 December 2018. The positive net change amounted to €/000 997.

Current tax receivables due from Tax authorities total €/000 3,086 compared to €/000 3,759 as of 31 December 2017. The net negative change amounted to €/000 673.

23. Breakdown of operating receivables by measurement method

The table below shows the breakdown of operating receivables by measurement method:

IN THOUSANDS OF EUROS	ASSETS MEASURED AT FVPL	ASSETS MEASURED AT FVOCI	FINANCIAL DERIVATIVES	ASSETS AT AMORTISED COST	TOTAL
OPERATING ASSETS AS OF 31 DECEMBER 2018					
Non-current assets					
Tax receivables				10,348	10,348
Other receivables				6,059	6,059
Total non-current operating receivables	**0**	**0**	**0**	**16,407**	**16,407**
Current assets					
Trade receivables				48,063	48,063
Other receivables			4	64,919	64,923
Tax receivables				3,086	3,086
Total current operating receivables	**0**	**0**	**4**	**116,068**	**116,072**
Total	**0**	**0**	**4**	**132,475**	**132,479**
OPERATING ASSETS AS OF 31 DECEMBER 2017					
Non-current assets					
Tax receivables				9,351	9,351
Other receivables				2,555	2,555
Total non-current operating receivables	**0**	**0**	**0**	**11,906**	**11,906**
Current assets					
Trade receivables				46,878	46,878
Other receivables			102	57,159	57,261
Tax receivables				3,759	3,759
Total current operating receivables	**0**	**0**	**102**	**107,796**	**107,898**
Total	**0**	**0**	**102**	**119,702**	**119,804**

24. Receivables due after 5 years — €/000 0

As of 31 December 2018, there were no receivables due after 5 years.

25. Assets held for sale — €/000 0

As of 31 December 2018, there were no assets held for sale.

26. Trade payables (current) €/000 273,299

Trade payables are wholly included under current liabilities and total €/000 273,299 compared to €/000 263,762 as of 31 December 2017.

IN THOUSANDS OF EUROS	AS OF 31 DECEMBER 2018	AS OF 31 DECEMBER 2017	CHANGE
CURRENT LIABILITIES:			
Amounts due to suppliers	251,481	244,741	6,740
Trade payables due to subsidiaries	15,089	10,064	5,025
Trade payables due to associates	5,085	8,428	(3,343)
Trade payables due to parent companies	1,641	519	1,122
Trade payables due to other related parties	3	10	(7)
Total	**273,299**	**263,762**	**9,537**

The item comprises trade payables of €/000 258,523 for the purchase of goods, materials and services for business operations and €/000 14,776 for the purchase of assets.
The item includes payables in foreign currency for a total value, at the exchange rate in effect at 31 December 2018, taking account of hedging on exchange risk, of €/000 38,715.
To facilitate credit conditions for its suppliers, the Company has used factoring agreements since 2012, mainly supply chain financing and reverse factoring agreements, as described in more detail in "accounting policies adopted by the Company", to which reference is made. These operations did not change the primary obligation, nor substantially changed payment terms, so their nature is the same and they are still classified as trade liabilities.
As of 31 December 2018, the value of trade payables covered by reverse factoring or supply chain financing agreements was equal to €/000 128,027 (€/000 127,532 as of 31 December 2017).

27. Provisions (current and non-current portion) €/000 14,663

IN THOUSANDS OF EUROS	BALANCE AS OF 31 DECEMBER 2017	ALLOCATIONS	USES	RECLASSI FICATION	OTHER CHANGES FROM SUBSIDIARIES LIQUIDATION	BALANCE AS OF 31 DECEMBER 2018
Provisions for risks						
Provisions for risk on investments	2,278	1		(2,268)		11
Provision for contractual risks	2,608		(297)			2,311
Risk provision for legal disputes	1,512		(300)			1,212
Provision for guarantee risks	58					58
Total provisions for risks	*6,456*	*1*	*(597)*	*(2,268)*		*3,592*
Provisions for expenses						
Provision for product warranties	10,064	6,111	(5,691)			10,484
Other reserves	69	50	(69)			50
Provision for environmental clean-ups					537	537
Total provisions for expenses	*10,133*	*6,161*	*(5,760)*	*0*	*537*	*11,071*
Total provisions for risks and charges	**16,589**	**6,162**	**(6,357)**	**(2,268)**	**537**	**14,663**

The breakdown between the current and non-current portion of long-term provisions is as follows:

IN THOUSANDS OF EUROS	AS OF 31 DECEMBER 2018	AS OF 31 DECEMBER 2017	CHANGE
CURRENT PORTION			
Provisions for risk on investments	11	2,278	(2,267)
Provision for product warranties	7,339	7,045	294
Promotional expense fund	45	69	(24)
Provision for premium transactions	5	-	5
Total current portion	**7,400**	**9,392**	**(1,992)**

IN THOUSANDS OF EUROS	AS OF 31 DECEMBER 2018	AS OF 31 DECEMBER 2017	CHANGE
NON-CURRENT PORTION			
Provision for contractual risks	2,310	2,608	(298)
Risk provision for legal disputes	1,213	1,512	(299)
Provision for guarantee risks	58	58	0
Provision for product warranties	3,145	3,019	126
Provision for environmental clean-ups	537	-	537
Total non-current portion	**7,263**	**7,197**	**66**

The provision for risks on investments refers to €/000 11 regarding the subsidiary Piaggio Indonesia.
Provisions were made in compliance with the equity method valuation and the related risk provisions refer to the Parent Company's commitment for the re-capitalisation of the investees.
The provision for contract risks refers mainly to charges which could arise from the renegotiation of a supply contract.
The provision for litigation totalled €/000 1,212.
The provision for risks on guarantees provided refers to charges expected for guarantees issued on the transfer of company equity investments.
The provision for product warranties of €/000 10,484 refers to potential liabilities related to the sale of products. The provision refers to allocations for technical assistance on products covered by customer service which are estimated to be provided over the contractually envisaged warranty period. This period varies according to the type of goods sold to the sales market and to the customer acceptance of a scheduled maintenance plan.
The provision increased during the year by €/000 6,111 for new allocations and was used for €/000 5,691 for expenses sustained referring to sales in previous years.

28. Retirement funds and employee benefits €/000 39,622

IN THOUSANDS OF EUROS	AS OF 31 DECEMBER 2018	AS OF 31 DECEMBER 2017	CHANGE
Provision for retirement	142	140	2
Post-employment benefits provision	39,480	42,728	(3,248)
Total	**39,622**	**42,868**	**(3,246)**

The provision for retirement mainly consists of provision for supplementary customer allowances, representing the amounts payable to agents if agency agreements are terminated for reasons not attributable to them. During the year, the provision was increased by €/000 22 for benefits accrued during the period and €/000 20 was used.

Movements for post-employment benefits provision are as follows:

IN THOUSANDS OF EUROS	
Opening balance as of 1 January 2018	**42,728**
Cost for the period	7,682
Actuarial losses recognised in Shareholders' equity	987
Interest cost	454
Uses and transfers of retirement funds	(12,366)
Other changes	(5)
Closing balance as of 31 December 2018	**39,480**

Economic/technical assumptions

The economic/technical assumptions used to discount the value are described in the table below:

Technical annual discount rate	1.13%
Annual rate of inflation	1.50% as from 2019
Annual rate of increase in termination benefits	2.625% as from 2019

As regards the discount rate, the Company uses the iBoxx Corporates AA rating with a 7-10 duration as the valuation benchmark. If the iBoxx Corporates A rating with a 7-10 duration had been used, the value of actuarial losses and the provision as of 31 December 2018 would have been lower by €/000 1,421.

The table below shows the effects, in absolute terms, as of 31 December 2018, which would have occurred following changes in reasonably possible actuarial assumptions:

IN THOUSANDS OF EUROS	PROVISION FOR TERMINATION BENEFITS
Turnover rate +2%	39,026
Turnover rate -2%	40,020
Inflation rate +0.25%	40,016
Inflation rate - 0.25%	38,936
Discount rate +0.50%	37,789
Discount rate -0.50%	41,282

The average financial duration of the bond is 9 years.

Estimated future amounts are equal to:

	IN THOUSANDS OF EUROS
YEAR	FUTURE AMOUNTS
1	3,259
2	2,711
3	4,067
4	3,991
5	3,010

29. Current and non-current tax payables €/000 4,784

Tax payables are wholly included under current liabilities.
Their breakdown was as follows:

IN THOUSANDS OF EUROS	AS OF 31 DECEMBER 2018	AS OF 31 DECEMBER 2017	CHANGE
Due for income taxes	1,189	209	980
Other tax payables for:			
- VAT	32	19	13
- Tax withheld at source	3,528	3,561	(33)
- Duty and tax records to pay	35	36	(1)
- Stamp duty paid electronically	-	22	(22)
Total other tax payables	3,595	3,638	(43)
Total current portion	4,784	3,847	937
Total	**4,784**	**3,847**	**937**

Current tax payables of €/000 1,189 refer wholly to taxes to pay abroad for income generated abroad during 2018, mainly for royalties, technical consultancy services and other services for the subsidiary Piaggio Vietnam.
Payables for regional production tax are entered offset against relative receivables. Regional production tax due for the year amounted to €/000 567.
Payables for withheld taxes paid refer to the income of employee and outsourced work and commission.

30. Other payables (current and non-current) €/000 2,403

Other non-current payables are broken down as follows:

IN THOUSANDS OF EUROS	AS OF 31 DECEMBER 2018	AS OF 31 DECEMBER 2017	CHANGE
NON-CURRENT PORTION:			
Deferred income to affiliated companies	0	13	(13)
Deferred income	2,333	1,565	768
Other payables	70	100	(30)
Total	**2,403**	**1,678**	**725**

Other current payables are broken down as follows:

IN THOUSANDS OF EUROS	AS OF 31 DECEMBER 2018	AS OF 31 DECEMBER 2017	CHANGE
CURRENT PORTION:			
Amounts due to subsidiaries	5,971	5,481	490
Amounts due to parent companies	6,203	6,185	18
Payables to employees	10,791	9,481	1,310
Amounts due to social security institutions	7,553	7,358	195
Amounts due to company boards	609	607	2
Amounts due for temporary funding	521	1,062	(541)
Amounts due for financial statement assessments	210	221	(11)
Amounts due to customers	3,021	2,802	219
Payables from the fair value measurement of financial instruments	16	6	10
Accrued expenses	3,156	4,338	(1,182)
Deferred income	672	295	377
Other payables	4,579	4,281	298
Total	**43,324**	**42,296**	**1,028**

As regards the non-current portion:
- deferred income comprises €/000 1,466 from research subsidies to recognise in profit or loss in relation to amortisation, €/000 79 from royalties for years after 2019, €/000 765 from income related to extended warranties on vehicles for years after 2019 and €/000 23 from income for maintenance packages for years after 2019;
- Other payables refer to €/000 70 for a guarantee deposit.

As regards the current portion:
- payables to parent companies refer to IMMSI S.p.A. and chiefly to tax consolidation;
- amounts due to employees refer to the amount for holidays accrued but not taken of €/000 8,360 and other payments to be made for €/000 2,431;
- contributions of €/000 521 refer to contributions relative to subsidies for research activities not yet acquired;
- amounts due to clients mainly refer to premiums paid for achieving sales targets that will be paid at the end of the reporting period and to credit notes for returns;
- deferred income comprises €/000 328 from research subsidies to recognise in profit or loss in relation to amortisation, €/000 1 from royalties, €/000 342 from income from extended vehicle warranties and €/000 1 from income for 2019;
- accrued expenses refer to €/000 335 relative to interest expense, €/000 2,783 relative to interest on bonds and €/000 38 relative to interest on lease agreements.

31. Breakdown of operating payables by measurement method

The table below shows the breakdown of operating payables by measurement method:

IN THOUSANDS OF EUROS	LIABILITIES AT FVPL	FINANCIAL DERIVATIVES	LIABILITIES AT AMORTISED COST	TOTAL
OPERATING LIABILITIES AS OF 31 DECEMBER 2018				
Non-current liabilities				
Tax payables				-
Other payables			2,403	2,403
Total non-current liabilities	**-**	**-**	**2,403**	**2,403**
Current liabilities				
Trade payables			273,299	273,299
Tax payables			4,784	4,784
Other payables		16	43,308	43,324
Total current liabilities	**-**	**16**	**321,391**	**321,407**
Total	**-**	**16**	**323,794**	**323,810**
OPERATING LIABILITIES AS OF 31 DECEMBER 2017				
Non-current liabilities				
Tax payables				-
Other payables			1,678	1,678
Total non-current liabilities	**-**	**-**	**1,678**	**1,678**
Current liabilities				
Trade payables			263,762	263,762
Tax payables			3,846	3,846
Other payables		6	42,290	42,296
Total current liabilities	**-**	**6**	**309,898**	**309,904**
Total	**-**	**6**	**311,576**	**311,582**

32. Payables due after 5 years

The Company has loans due after 5 years; details are given in Note 37 Financial Liabilities. Apart from these loans, no other long-term payables due after five years have been recorded.

D) INFORMATION ON FINANCIAL ASSETS AND LIABILITIES

This section provides information on the carrying amount of financial assets and liabilities held, and in particular:
- specifically describes the type of financial assets and liabilities;
- the accounting standards adopted;
- describes how fair value is determined, how measurements and estimates are made, and the uncertainties involved.

The Company holds the following financial assets and liabilities:

IN THOUSANDS OF EUROS	ASSETS MEASURED AT FVPL	ASSETS MEASURED AT FVOCI	FINANCIAL DERIVATIVES	ASSETS AT AMORTISED COST	TOTAL
FINANCIAL ASSETS AS OF 31 DECEMBER 2018					
Non-current assets					
Other financial assets	37		5,992		6,029
Total non-current assets	**37**	**0**	**5,992**	**-**	**6,029**
Current assets					
Other financial assets			2,804	11,993	14,797
Cash and cash equivalents				22,944	22,944
Securities					0
Total current assets	**0**	**0**	**2,804**	**34,937**	**37,741**
Total	**37**	**0**	**8,796**	**34,937**	**43,770**
FINANCIAL ASSETS AS OF 31 DECEMBER 2017					
Non-current assets					
Other financial assets	36		7,329		7,365
Total non-current assets	**36**	**0**	**7,329**	**0**	**7,365**
Current assets					
Other financial assets			2,183	14,172	16,355
Cash and cash equivalents				10,239	10,239
Securities					0
Total current assets	**0**	**0**	**2,183**	**24,411**	**26,594**
Total	**36**	**0**	**9,512**	**24,411**	**33,959**

IN THOUSANDS OF EUROS	LIABILITIES AT FVPL	FAIR VALUE ADJUSTMENT	FINANCIAL DERIVATIVES	LIABILITIES AT AMORTISED COST	TOTAL
FINANCIAL LIABILITIES AS OF 31 DECEMBER 2018					
Non-current liabilities					
Bank financing				201,388	201,388
Bonds		5,475		291,694	297,169
Other loans				150	150
Leases				7,930	7,930
Hedging derivatives					-
Total non-current liabilities	**-**	**5,475**	**-**	**501,162**	**506,637**
Current liabilities					
Bank financing				39,160	39,160
Bonds		2,563		10,325	12,888
Other loans				9,622	9,622
Leases				1,127	1,127
Hedging derivatives					-
Total current liabilities	**-**	**2,563**		**60,234**	**62,797**
Total	**-**	**8,038**	**-**	**561,396**	**569,434**
FINANCIAL LIABILITIES AS OF 31 DECEMBER 2017					
Non-current liabilities					
Bank financing				115,763	115,763
Bonds		7,120		304,592	311,712
Other loans				319	319
Leases				9,057	9,057
Hedging derivatives					-
Total non-current liabilities	**-**	**7,120**	**-**	**429,731**	**436,851**
Current liabilities					
Bank financing				57,958	57,958
Bonds		2,121		9,625	11,746
Other loans				14,930	14,930
Leases				1,108	1,108
Hedging derivatives					-
Total current liabilities	**-**	**2,121**	**-**	**83,621**	**85,742**
Total	**-**	**9,241**	**-**	**513,352**	**522,593**

33. Investments €/000 152,140

The investments heading comprises:

IN THOUSANDS OF EUROS	AS OF 31 DECEMBER 2018	AS OF 31 DECEMBER 2017	CHANGE
Investments in subsidiaries	146,447	121,998	24,449
Investments in affiliated companies	5,693	5,444	249
Total	**152,140**	**127,442**	**24,698**

Movements for the period are shown below:

IN THOUSANDS OF EUROS	CARRYING AMOUNT AS OF 31/12/2017	2018 RESULT	TRANSLATION RESERVE	IAS 19 DISCOUNTING RESERVE	COMPANY TRANSACTIONS	CARRYING AMOUNT AS OF 31/12/2018
SUBSIDIARIES						
Piaggio Vespa B.V.	19,931	8,457	(381)		(7,000)	21,007
Piaggio Vehicles Pvt Ltd	78,532	37,338	(3,050)	(262)	(10,259)	102,299
Nacional Motor	3,172	(1,668)			1,250	2,754
Piaggio Vietnam Co Ltd	12,510	13,325	795		(13,048)	13,582
Piaggio China Ltd	2,044	114	(25)			2,133
Aprilia Racing s.r.l.	1,534	(440)		(30)		1,064
Piaggio España SL	2,755	323			(350)	2,728
Piaggio Indonesia	0					0
Piaggio Advanced Design Center	274	24	10			308
Piaggio Fast Forward Inc.	0					0
Piaggio Concept Store Mantova S.r.l.	0	(612)		(2)	1,186	572
Atlantic 12 FCIIC	1,246	(558)			(688)	0
Total subsidiaries	**121,998**	**56,303**	**(2,651)**	**(294)**	**(28,909)**	**146,447**
ASSOCIATES						
Zongshen Piaggio Foshan	5,338	297	(63)			5,572
Pontech Soc. Cons. a.r.l.	96	15				111
Immsi Audit S.c.a.r.l.	10					10
Fondazione Piaggio onlus	0					0
Total associates	**5,444**	**312**	**(63)**	**0**	**0**	**5,693**
Total investments	**127,442**	**56,615**	**(2,714)**	**(294)**	**(28,909)**	**152,140**

Investments in subsidiaries €/000 146,447

The following company transactions concerned investments in subsidiaries during the year:

- Piaggio Vespa B.V., accounting of dividends of €/000 7,000;
- Piaggio Vehicles, the recognition of dividends for €/000 9,233 and sale of treasury shares for €/000 1,026 to the subsidiary.
- Nacional Motor, payment to cover losses of €/000 1,250 through the waiver of financial receivables;
- Piaggio Vietnam, the recognition of dividends for €/000 13,048;
- Piaggio España, the recognition of dividends for €/000 350;
- Piaggio Fast Forward, the impairment of financial receivables for €/000 11,475 in relation to the loss recorded in the year;
- Piaggio Concept Store Mantova, waiver of financial receivables of €/000 840, of which €/000 404 for commitments already made in the previous year, in addition to further recapitalisation commitments of €/000 750;
- the Atlantic 12 presented the financial statements for liquidation purposes as at November 22nd 2018, thus ceasing its activity. The residual value of the investment, amounting to €/000 688, was therefore canceled and replaced by that relating to the assets received as a result of the liquidation.

Investments in Associates €/000 5,693

Investments in affiliated companies did not change in relation to company transactions.

34. Other non-current financial assets €/000 6,029

IN THOUSANDS OF EUROS	AS OF 31 DECEMBER 2018	AS OF 31 DECEMBER 2017	CHANGE
Fair value of hedging derivatives	5,992	7,329	(1,337)
Investments in other companies	37	36	1
Total	**6,029**	**7,365**	**(1,336)**

The item "Fair value of hedging derivatives" refers to the fair value of the Cross Currency Swap on the private debenture loan, of which details are given in section 39.

The table below shows the composition of investments in other companies:

IN THOUSANDS OF EUROS	AS OF 31 DECEMBER 2018	AS OF 31 DECEMBER 2017	CHANGE
OTHER COMPANIES:			
A.N.C.M.A. - Rome	2	2	0
ECOFOR SERVICE S.p.A. - Pontedera	2	2	0
Consorzio Fiat Media Center - Turin	3	3	0
S.C.P.S.T.V.	21	21	0
IVM	9	8	1
Total other companies	**37**	**36**	**1**

35. Other current financial assets €/000 14,797

This item comprises:

IN THOUSANDS OF EUROS	AS OF 31 DECEMBER 2018	AS OF 31 DECEMBER 2017	CHANGE
Financial receivables due from subsidiaries	11,993	14,171	(2,178)
Fair value of hedging derivatives	2,804	2,184	620
Total	**14,797**	**16,355**	**(1,558)**

The item Financial receivables due from subsidiaries refers to loans to Nacional Motor for €/000 5,365, to Piaggio Fast Forward for €/000 1,611 and to Aprilia Racing for €/000 5,017.

36. Cash and cash equivalents €/000 22,944

This item mainly includes short-term or on demand bank deposits.
Cash and cash equivalents are broken down as follows:

IN THOUSANDS OF EUROS	AS OF 31 DECEMBER 2018	AS OF 31 DECEMBER 2017	CHANGE
Bank and postal deposits	22,919	10,215	12,704
Cash on hand	25	24	1
Total	**22,944**	**10,239**	**12,705**

Reconciliation of cash and cash equivalents recognised in the statement of financial position with cash and cash equivalents recognised in the Statement of Cash Flows

The table below reconciles the amount of cash and cash equivalents above with cash and cash equivalents recognised in the Statement of Cash Flows.

IN THOUSANDS OF EUROS	AS OF 31 DECEMBER 2018	AS OF 31 DECEMBER 2017	CHANGE
Cash and cash equivalents	22,944	10,239	12,705
Current account overdrafts	(352)	(173)	(179)
Closing balance	**22,592**	**10,066**	**12,526**

37. Current and non-current financial liabilities €/000 569,434

In 2018, overall debt increased by €/000 46,841, from €/000 522,593 to €/000 569,434. Total financial debt in 2018, net of the fair value measurement of financial derivatives to hedge foreign exchange risk and interest rate risk of €/000 8,038, increased by €/000 48,044.

IN THOUSANDS OF EUROS	FINANCIAL LIABILITIES AS OF 31 DECEMBER 2018			FINANCIAL LIABILITIES AS OF 31 DECEMBER 2017			CHANGE		
	CURRENT	NON-CURRENT	TOTAL	CURRENT	NON-CURRENT	TOTAL	CURRENT	NON-CURRENT	TOTAL
Gross financial debt	60,234	501,162	561,396	83,621	429,731	513,352	(23,387)	71,431	48,044
Fair Value of hedging derivatives	2,563	5,475	8,038	2,121	7,120	9,241	442	(1,645)	(1,203)
Total	**62,797**	**506,637**	**569,434**	**85,742**	**436,851**	**522,593**	**(22,945)**	**69,786**	**46,841**

Total net financial debt went up from €/000 488,942 as of 31 December 2017 to €/000 526,459 as of 31 December 2018, with an increase of €/000 37,517.

IN THOUSANDS OF EUROS	AS OF 31 DECEMBER 2018	AS OF 31 DECEMBER 2017	CHANGE
Liquidity	**22,944**	**10,239**	**12,705**
Short-term financial receivables due from third parties			0
Government securities available for sale			0
Short-term financial receivables due from subsidiaries	11,993	14,171	(2,178)
Short-term financial receivables due from affiliated companies			0
Current financial receivables	**11,993**	**14,171**	**(2,178)**
Current account overdrafts	(352)	(173)	(179)
Current account payables	0	(15,000)	15,000
Bonds	(10,325)	(9,625)	(700)
Current portion of bank loans	(38,808)	(42,785)	3,977
Amounts due to factoring companies	(9,291)	(14,613)	5,322
Amounts due under leases	(1,127)	(1,108)	(19)
Current portion of payables due to other lenders	(331)	(317)	(14)
Borrowings from subsidiaries			0
Current financial debt	**(60,234)**	**(83,621)**	**23,387**
Consolidated debt/net current debt	**(25,297)**	**(59,211)**	**33,914**
Payables due to banks and lenders	(201,388)	(115,763)	(85,625)
Debenture loan	(291,694)	(304,592)	12,898
Amounts due under leases	(7,930)	(9,057)	1,127
Borrowings from subsidiaries			0
Amounts due to other lenders	(150)	(319)	169
Non-current financial debt	**(501,162)**	**(429,731)**	**(71,431)**
NET FINANCIAL DEBT[37]	**(526,459)**	**(488,942)**	**(37,517)**

37 Pursuant to Consob Communication of 28 July 2006 and in compliance with the recommendation of the CESR of 10 February 2005 "Recommendation for the consistent implementation of the European Commission's Regulation on Prospectuses". The indicator does not include financial assets and liabilities arising from the fair value measurement of financial derivatives for hedging, the fair value adjustment of relative hedged items equal to €/000 8,038 and relative accruals.

The tables below analyse the composition and movements of the net financial position year on year.

IN THOUSANDS OF EUROS	BOOK VALUE AS OF 31.12.2018	BOOK VALUE AS OF 31.12.2017	CHANGE
Cash and cash equivalents	22,944	10,239	12,705
Financial receivables	11,993	14,171	(2,178)
Current financial debt	(60,234)	(83,621)	23,387
Non-current financial debt	(501,162)	(429,731)	(71,431)
Net Financial debt	**(526,459)**	**(488,942)**	**(37,517)**
Cash and cash equivalents and financial receivables	34,937	24,410	10,527
Gross debt, fixed rate	(359,658)	(355,131)	(4,527)
Gross debt, variable rate	(201,738)	(158,221)	(43,517)
Net Financial debt	**(526,459)**	**(488,942)**	**(37,517)**

IN THOUSANDS OF EUROS		CASH FLOWS						
	BALANCE AS OF 31.12.2016	CHANGES	REPAY-MENTS	NEW ISSUES	RECLASSIFI-CATIONS	EXCHAN-GE DELTA	OTHER CHANGES	BALANCE AS OF 31.12.2017
Liquidity	**90,882**	**(80,643)**						**10,239**
Short-term financial receivables due from third parties								
Government securities available for sale								
Short-term financial receivables due from subsidiaries	9,714		(1,000)	5,687		(230)		14,171
Short-term financial receivables due from affiliated companies								
Current financial receivables	**9,714**	**0**	**(1,000)**	**5,687**	**0**	**(230)**	**0**	**14,171**
Current account overdrafts	(10)			(163)				(173)
Current account payables	(1,897)			(13,103)				(15,000)
Current portion of medium-term /long-term bank loans	(69,305)		119,305	(500)	(92,285)			(42,785)
Total current bank loans	*(71,212)*	*0*	*119,305*	*(13,766)*	*(92,285)*	*0*	*0*	*(57,958)*
Debenture loan	(9,617)		11,432		(9,669)		(1,771)	(9,625)
Amounts due to factoring companies	(11,030)		0	(3,583)	0			(14,613)
Amounts due under leases	(1,081)		1,081		(1,108)			(1,108)
Current portion of payables due to other lenders	(313)		313		(317)			(317)
Borrowings from subsidiaries								
Current financial debt	**(93,253)**	**0**	**132,131**	**(17,349)**	**(103,379)**	**0**	**(1,771)**	**(83,621)**
Net current financial debt	**7,343**	**(80,643)**	**131,131**	**(11,662)**	**(103,379)**	**(230)**	**(1,771)**	**(59,211)**
Payables due to banks and lenders	(198,602)			(9,500)	92,285		54	(115,763)
Debenture loan	(282,442)			(30,000)	9,669		(1,819)	(304,592)
Amounts due under leases	(10,165)				1,108			(9,057)
Borrowings from subsidiaries	0							0
Amounts due to other lenders	(636)				317	0		(319)
Non-current financial debt	**(491,845)**	**0**	**0**	**(39,500)**	**103,379**	**0**	**(1,765)**	**(429,731)**
NET FINANCIAL DEBT	**(484,502)**	**(80,643)**	**131,131**	**(51,162)**	**0**	**(230)**	**(3,536)**	**(488,942)**

IN THOUSANDS OF EUROS		CASH FLOWS						
	BALANCE AS OF 31.12.2017	CHANGES	REPAY-MENTS	NEW ISSUES	RECLASSIFI-CATIONS	EXCHAN-GE DELTA	OTHER CHANGES	BALANCE AS OF 31.12.2018
Liquidity	**10,239**	**12,705**						**22,944**
Short-term financial receivables due from third parties								0
Government securities available for sale								0
Short-term financial receivables due from subsidiaries	14,171			11,241		(81)	(13,338)	11,993
Short-term financial receivables due from affiliated companies								0
Current financial receivables	**14,171**	**0**	**0**	**11,241**	**0**	**(81)**	**(13,338)**	**11,993**
Current account overdrafts	(173)			(179)				(352)
Current account payables	(15,000)		15,000					0
Current portion of medium-term /long-term bank loans	(42,785)		44,551	(1,400)	(38,859)		(315)	(38,808)
Total current bank loans	*(57,958)*	*0*	*59,551*	*(1,579)*	*(38,859)*	*0*	*(315)*	*(39,160)*
Debenture loan	(9,625)		9,669		(10,359)		(10)	(10,325)
Amounts due to factoring companies	(14,613)		5,322					(9,291)
Amounts due under leases	(1,108)		1,108		(1,127)			(1,127)
Current portion of payables due to other lenders	(317)		317		(331)			(331)
Borrowings from subsidiaries	0							0
Current financial debt	**(83,621)**	**0**	**75,967**	**(1,579)**	**(50,676)**	**0**	**(325)**	**(60,234)**
Net current financial debt	**(59,211)**	**12,705**	**75,967**	**9,662**	**(50,676)**	**(81)**	**(13,663)**	**(25,297)**
Payables due to banks and lenders	(115,763)		25,000	(151,100)	38,859		1,616	(201,388)
Debenture loan	(304,592)		168,497	(168,497)	10,359		2,539	(291,694)
Amounts due under leases	(9,057)				1,127			(7,930)
Borrowings from subsidiaries	0							0
Amounts due to other lenders	(319)			(162)	331			(150)
Non-current financial debt	**(429,731)**	**0**	**193,497**	**(319,759)**	**50,676**	**0**	**4,155**	**(501,162)**
NET FINANCIAL DEBT	**(488,942)**	**12,705**	**269,464**	**(310,097)**	**0**	**(81)**	**(9,508)**	**(526,459)**

The table below shows the debt servicing schedule as of 31 December 2018:

IN THOUSANDS OF EUROS	NOMINAL VALUE AS OF 31.12.2018	AMOUNTS FALLING DUE WITHIN 12 MONTHS	AMOUNTS FALLING DUE AFTER 12 MONTHS	AMOUNTS FALLING DUE IN 2020	2021	2022	2023	OLTRE
Bank financing	242,384	39,211	203,173	25,295	43,049	95,306	39,523	
Bonds	312,460	10,360	302,100	11,050	11,050	30,000		250,000
Other medium/long-term bank loans:								
of which amounts due under leases	9,068	1,128	7,940	1,147	1,167	1,186	1,206	3,234
of which amounts due to other lenders	9,772	9,622	150	23	23	23	23	58
Total other loans	18,840	10,750	8,090	1,170	1,190	1,209	1,229	3,292
Total	**573,684**	**60,321**	**513,363**	**37,515**	**55,289**	**126,515**	**40,752**	**253,292**

The financial debt consisted of loans and debenture loans contracted primarily in Euro; the only financial liability in currency consisted of the private debenture loan (US Private Placement), also covered by a cross currency swap as described in detail below.
Medium and long-term bank debt amounts to €/000 240,196 (of which €/000 201,388 non-current and €/000 38,808 current) and consists of the following loans:

- a €/000 10,909 medium-term loan from the European Investment Bank to finance Research & Development investments planned for the 2013-2015 period. The loan will mature in December 2019 and has a repayment schedule of 11 six-monthly instalments at a fixed rate of 2.723%. Contract terms require covenants (described below);
- a €/000 49,924 medium-term loan (nominal value of €/000 50,000) from the European Investment Bank to finance Research & Development investments planned for the 2016-2018 period. The loan will mature in December 2023 and has a repayment schedule of 7 fixed-rate annual instalments. Contract terms require covenants (described below);
- a €/000 115,860 loan (nominal value of €/000 117,500), a syndicate loan for a total of €/000 250,000 signed in June 2018 and comprising a €/000 187,500 four-year tranche (with a year's extension at the discretion of the borrower) as a revolving credit line (of which a nominal value of €/000 55,000 used as of 31 December 2018) and a tranche as a five-year loan with amortisation of €/000 62,500. Contract terms require covenants (described below);
- a €/000 13,581 medium-term loan (nominal value of €/000 13,600) granted by UBI Banca. The loan will fall due on 30 June 2021 and has an amortisation schedule of quarterly instalments;
- a €/000 4,164 medium-term loan (nominal value of €/000 4,175) granted by Banca Popolare Emilia Romagna. The loan will fall due on 5 June 2019 and has an amortisation schedule of six-monthly instalments;
- a €/000 19,955 medium-term loan (nominal value of €/000 20,000) granted by Banca Popolare Emilia Romagna. The loan will fall due on 1 December 2023 and has an amortisation schedule of six-monthly instalments;
- a €/000 9,092 loan granted by Banco BPM and comprising a tranche of €/000 12,500, granted as a revolving credit line (completely unused as of 31 December 2018) maturing in January 2021 and a tranche granted as a loan with amortisation of €/000 12,500 (€/000 9,092 remaining at 31 December 2018), maturing in July 2022;
- a €/000 7,461 medium-term loan (nominal value of €/000 7,500) granted by Interbanca-Banca IFIS. The loan will fall due on 30 September 2022 and has a quarterly repayment plan. Contract terms require covenants (described below);
- a €/000 9,015 medium term loan (nominal value of €/000 9,022) granted by Banca del Mezzogiorno comprising a €/000 20,000 tranche granted as a revolving credit line (wholly unused at 31 December 2018), maturing on 1 July 2022 and a €/000 10,000 tranche granted as a loan maturing on 2 January 2023 and with an amortisation schedule of six-monthly instalments. Contract terms require covenants (described below);
- €/000 234 of loans from various banks granted pursuant to Italian Law no. 346/88 on subsidised applied research.

All the above financial liabilities are unsecured.

The item Bonds for €/000 302,019 (nominal value of €/000 312,461) refers to:
- a €/000 32,385 private debenture loan (nominal value of €/000 32,461), (US Private Placement) issued on 25 July 2011 for $/000 75,000 wholly subscribed by an American institutional investor, payable in 5 annual portions from July 2017, with a semi-annual coupon. As of 31 December 2018, the fair value measurement of the debenture loan was equal to €/000 40,499 (the fair value is determined based on IFRS relative to fair value hedging). A Cross Currency Swap has been taken out on this debenture loan to hedge the exchange risk and interest rate risk;
- €/000 29,880 (nominal value of €/000 30,000) for a five-year private debenture loan issued on 28 June 2017 and wholly subscribed by Fondo Sviluppo Export, the fund set up by SACE and managed by Amundi SGR. The issue has no specific rating or listing on a regulated market;
- €/000 239,754 (nominal value of €/000 250,000) refers to the liability management operation completed by the Parent Company during the second quarter of 2018. This operation was for the refinancing of a debenture loan issued by the Company on 30 April 2014 for a total of €/000 250,000 maturing on 30 April 2021. Favourable market conditions have made it possible to benefit from improved economic conditions, optimising the cost of debt and extending its average life.

In particular, the liability management operation concerned the following stages:

1. the launch on 9 April 2018 of the exchange offer between bonds relative to the pre-existing debenture loan with new-issue bonds and the concurrent exercise of the call option on the total of bonds not exchanged and subject to the successful outcome of a new issue on the market. 32.6% of bondholders took up the offer, for a total value of €/000 81,503;
2. the issue on 18 April 2018 of a High Yield debenture loan (with the same characteristics as the bond issued in 2014), for a total of €/000 250,000, maturing on 30 April 2025 and six-monthly coupon with nominal annual rate fixed at 3.625% (as mentioned, the issue for €/000 81,503 was on an exchange basis, while the remaining portion concerned inflows of new liquidity for the Company, in order to finance the exercise of the call option to wholly repay the previous issue). The debenture loan was rated by S&P (BB-) and Moody's (B1), in line with the ratings of the Company;
3. on 9 May 2018, the Company repaid in full the debenture loan issued on 30 April 2014 for the outstanding amount of €/000 168,497, exercising the call option provided for in the contract on the total of unexchanged bonds;
4. as provided for by IFRS 9, the operation was recognised in the income statement with a net, non-recurrent financial income of €/000 901 generated from income for €/000 4,431 originating from the change in fair value of the exchanged bonds (IFRS 9 paragraph b.3.3.6) net of the premium paid for the exchange of outstanding securities, as well as costs for €/000 3,530 mainly relative to premiums recognised for the pre-repayment of unexchanged bonds, and for alignment of the amortised cost due to the effects of exercising the call option.

The company may repay in advance:
- all or part of the amount of the high yield debenture loan issued on 30 April 2018, according to the conditions indicated in the indenture. The value of prepayment options was not deducted from the original contract, as these are considered as being closely related to the host instrument, as provided for by IFRS 9 b4.3.5;
- all or part of the amount of the private placement issued on 28 June 2017, according to the conditions indicated in the contract. The value of prepayment options was not deducted from the original contract, as these are considered as being closely related to the host instrument, as provided for by IFRS 9 b4.3.5.

Payables due to other lenders in the medium-/long-term equal to €/000 9,538 (nominal value of €/000 9,549) of which €/000 8,080 maturing after the year and €/000 1,458 as the current portion, are broken down as follows:

- a finance lease for €/000 9,057 (nominal value of €/000 9,068) granted by Albaleasing as a Sale&Lease back agreement on a production plant of the Company. The agreement is for ten years, with quarterly repayments (non-current portion equal to €/000 7,930);
- subsidised loans for a total of €/000 481 provided by the Italian Ministry of Economic Development and Italian Ministry of Education, University and Research using regulations to encourage exports and investments in research and development (non-current portion of €/000 150).

Payables to factoring companies totalled €/000 9,291.

Covenants

In line with market practices for borrowers with a similar credit rating, main loan contracts require compliance with:
1. financial covenants, on the basis of which the company undertakes to comply with certain levels of contractually defined financial indices, with the most significant comprising the ratio of net financial debt/gross operating margin (EBITDA), measured on the consolidated perimeter of the Group, according to definitions agreed on with lenders;
2. negative pledges according to which the company may not establish collaterals or other constraints on company assets;
3. "pari passu" clauses, on the basis of which the loans will have the same repayment priority as other financial liabilities, and change of control clauses, which are effective if the majority shareholder loses control of the company;
4. limitations on the extraordinary operations the company may carry out.

The measurement of financial covenants and other contract commitments is monitored by the Company on an ongoing basis. According to results as of 31 December 2018, all covenants had been fully met.
The high yield debenture loan issued by the company in April 2018 provide for compliance with covenants which are typical of international practice on the high yield market. In particular, the company must observe the EBITDA/Net borrowing costs index, based on the threshold established in the Prospectus, to increase financial debt defined during issue. In addition, the Prospectus includes some obligations for the issuer, which limit, inter alia, the capacity to:
1. pay dividends or distribute capital;
2. make some payments;
3. grant collaterals for loans;
4. merge with or establish some companies;
5. sell or transfer own assets.

Failure to comply with the covenants and other contract commitments of the loan and debenture loan, if not remedied in agreed times, may give rise to an obligation for the early repayment of the outstanding amount of the loan.

Amortised Cost and Fair Value Measurement

All financial liabilities are measured in accordance with accounting standards and based on the amortised cost method (except for liabilities with hedging derivatives measured at Fair Value Through Profit & Loss, for which the same measurement criteria used for the derivative are applied). According to this method, the nominal amount of the liability is decreased by the amount of relative costs of issue and/or stipulation, in addition to any costs relating to refinancing of previous liabilities. The amortisation of these costs is determined on an effective interest rate basis, and namely the rate which discounts the future flows of interest payable and reimbursements of principal at the net carrying amount of the financial liability.
IFRS 13 – Fair Value Measurement defines fair value on the basis of the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In the absence of an active market or market that does not operate regularly, fair value is measured by valuation techniques. The standard defines a fair value hierarchy:
- level 1 – quoted prices in active markets for assets or liabilities measured;
- level 2 – inputs other than quoted prices included within Level 1 that are observable directly (prices) or indirectly (derived from prices) on the market;
- level 3 – inputs not based on observable market data.

The valuation techniques referred to levels 2 and 3 must take into account adjustment factors that measure the risk of insolvency of both parties. To this end, the standard introduces the concepts of Credit Value Adjustment (CVA) and Debit Value Adjustment (DVA): CVA makes it possible to include the counterparty credit risk in the fair value measurement; DVA reflects the risk of insolvency of the Company.

The table below shows the fair value of payables measured using the amortised cost method as of 31 December 2018:

IN THOUSANDS OF EUROS	NOMINAL VALUE	CARRYING AMOUNT	FAIR VALUE [38]
High yield debenture loan	250,000	239,754	248,473
Private debenture loan 2021	32,461	32,385	40,499
Private debenture loan 2022	30,000	29,880	29,587
EIB (R&D loan 2013-2015)	10,909	10,909	11,056
EIB (R&D loan 2016-2018)	50,000	49,925	48,878
Credit line from B. Pop. Emilia Romagna	4,175	4,168	4,208
Loan from B. Pop. Emilia Romagna	20,000	19,951	19,241
Loan from Banco BPM	9,092	9,092	9,499
Revolving syndicated loan	55,000	53,830	51,922
Syndacated loan maturing 2023	62,500	62,029	60,873
Loan from UBI	13,600	13,581	13,493
Loan from MCC	9,022	9,015	8,859
Loan from Banca Ifis	7,500	7,461	7,699

For liabilities due within 18 months, the carrying amount is basically considered the same as the fair value.

Fair value hierarchy

The table below shows the assets and liabilities measured and recognised at fair value as of 31 December 2018, by hierarchical level of fair value measurement.

IN THOUSANDS OF EUROS	LEVEL 1	LEVEL 2	LEVEL 3
ASSETS MEASURED AT FAIR VALUE			
Financial derivatives			
- of which financial assets		8,797	
- of which other receivables		4	
Investments in other companies			37
Total		**8,801**	**37**
LIABILITIES MEASURED AT FAIR VALUE			
Financial derivatives			
- of which other payables		(16)	
Financial liabilities at fair value recognised through profit or loss		(40,499)	
Total		**(40,515)**	
General total		**(31,714)**	**37**

The following tables show Level 2 and Level 3 changes during 2018:

IN THOUSANDS OF EUROS	LEVEL 2
Net balance of liabilities as of 31 December 2017	**(41,764)**
Gain (loss) recognised in profit or loss	489
Gain (loss) recognised in the statement of comprehensive income	(108)
(Increases)/Decreases	(9,669)
Net balance of liabilities as of 31 December 2018	**(31,714)**
	LEVEL 3
Balance of assets as of 31 December 2017	**36**
Gain (loss) recognised in profit or loss	-
Increases/(Decreases)	1
Balance of assets as of 31 December 2018	**37**

38 The value deducts DVA related to the issuer, i.e. it includes the risk of insolvency of Piaggio.

E) MANAGEMENT OF FINANCIAL RISK

This section describes all financial risks to which the Company is exposed and how these risks could affect future results.

38. Credit risk

The Company considers that its exposure to credit risk is as follows:

IN THOUSANDS OF EUROS	AS OF 31 DECEMBER 2018	AS OF 31 DECEMBER 2017
Liquid assets	22,944	10,239
Financial receivables	14,797	16,355
Trade receivables	48,063	46,878
Tax receivables	13,434	13,110
Other receivables	70,982	59,816
Total	**170,220**	**146,398**

The Company monitors or manages credit centrally by using established policies and guidelines. The portfolio of trade receivables shows no signs of concentrated credit risk in light of the broad distribution of our licensee or distributor network. In addition, most trade receivables are short-term. In order to optimise credit management, the Company has established revolving programmes with some primary factoring companies for selling its trade receivables without recourse.

39. Financial risks

The financial risks the Company is exposed to are Liquidity Risk, Exchange Risk, Interest rate Risk and Credit Risk.
The management of these risks, in order to reduce management costs and dedicated resources, is centralised and treasury operations take place in accordance with formal policies and guidelines which are applicable to all Group companies.

Liquidity risk and capitals management

The liquidity risk arises from the possibility that available financial resources are not sufficient to cover, in due times and procedures, future payments arising from financial and/or commercial obligations. To deal with this risk, cash flows and the Company's credit line needs are monitored or managed centrally under the control of the Treasury in order to guarantee an effective and efficient management of financial resources as well as optimise the debt's maturity standpoint.
In addition, the Company finances the temporary cash requirements of subsidiaries by providing direct short-term loans regulated in market conditions or guarantees. A cash pooling zero balance system is used between the Company and European companies to reset the receivable and payable balances of subsidiaries on a daily basis, for a more effective and efficient management of liquidity in the Eurozone.
As of 31 December 2018, the most important sources of financing irrevocable until maturity granted to the Company were as follows:
- a debenture loan of €/000 250,000 maturing in April 2025;
- a debenture loan of $/000 47,000 maturing in July 2021;
- a debenture loan of €/000 30,000 maturing in June 2022;
- a credit line of €/000 250,000 comprising a Revolving Credit Facility of €/000 187,500 maturing in July 2022 and a loan of €/000 62,500 maturing in July 2023;
- Revolving credit facilities for a total of €/000 32,500, with final settlement in July 2022;
- loans for a total of €/000 125,014, with final settlement in December 2023.

As of 31 December 2018, the Company had a liquidity of €/000 22,944, €/000 165,000 of undrawn credit lines irrevocable to maturity and €/000 51,257 of revocable credit lines, as detailed below:

IN THOUSANDS OF EUROS	AS OF 31 DECEMBER 2018	AS OF 31 DECEMBER 2017
Variable rate with maturity within one year - irrevocable until maturity	0	170,000
Variable rate with maturity beyond one year - irrevocable until maturity	165,000	32,500
Variable rate with maturity within one year - cash revocable	51,257	48,680
Variable rate with maturity within one year - with revocation for self-liquidating typologies	19,000	19,000
Total	**235,257**	**270,180**

The table below shows the timing of future payments in relation to trade payables:

IN THOUSANDS OF EUROS	AS OF 31 DECEMBER 2018	WITHIN 30 DAYS	BETWEEN 31 AND 60 DAYS	BETWEEN 61 AND 90 DAYS	OVER 90 DAYS
Amounts due to suppliers	251,481	144,917	66,124	28,670	11,770
Amounts due to subsidiaries	15,089	9,320	5,589	180	
Amounts due to affiliated companies	5,085	3,050	899	481	655
Amounts due to parent companies	1,641	1,621	20		
Trade payables due to other related parties	3	3			
Total trade payables	**273,299**	**158,911**	**72,632**	**29,331**	**12,425**

Management considers that currently available funds, as well as funds that will be generated from operations and loans, will enable the Company to meets its requirements relative to investments, the management of working capital and repayment of loans on expiry and will ensure an adequate level of operating and strategic flexibility.

Exchange Risk

The company operates in an international context where transactions are conducted in currencies different from the euro. This exposes it to risks arising from exchange rates fluctuations. For this purpose, the Company has an exchange rate risk management policy which aims to neutralise the possible negative effects of the changes in exchange rates on company cash-flows.

This policy analyses:

- **the transaction exchange risk:** the policy wholly covers this risk which arises from differences between the recognition exchange rate of receivables or payables in foreign currency in the financial statements and the recognition exchange rate of actual collection or payment. To cover this type of exchange risk, the exposure is naturally offset in the first place (netting between sales and purchases in the same currency) and if necessary, by signing currency future derivatives, as well as advances of receivables denominated in currency;
- **the economic exchange risk:** arises from changes in company profitability in relation to annual figures planned in the economic budget on the basis of a reference change (the "budget change") and is covered by derivatives. The items of these hedging operations are therefore represented by foreign costs and revenues forecast by the sales and purchases budget. The total of forecast costs and revenues is processed monthly and relative hedging is positioned exactly on the average weighted date of the economic event, recalculated based on historical criteria. The economic occurrence of future receivables and payables will occur during the budget year.

At the end of the reporting period, the Company's exposure to exchange risk was as follows:

AS OF 31 DECEMBER 2018	USD	GBP	CHF	CNY	YEN	SGD	CAD	SEK	HKD	INR	PLZ	VND	TOTAL
IN THOUSANDS OF EUROS													
Non-current assets													
Long-term tax receivables										861			861
Total non-current assets	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**861**	**0**	**0**	**861**
Current assets													
Trade and other receivables	11,337	(266)		987	791	233	182	(128)		6,359		14,388	33,883
Other financial assets	1,596												1,596
Bank and postal deposits	4,159	63		367	35	1	34	171					4,830
Total current assets	**17,092**	**(203)**	**0**	**1,354**	**826**	**234**	**216**	**43**	**0**	**6,359**	**0**	**14,388**	**40,309**
Total assets	**17,092**	**(203)**	**0**	**1,354**	**826**	**234**	**216**	**43**	**0**	**7,220**	**0**	**14,388**	**41,170**
Non-current liabilities													
Total non-current liabilities	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Current liabilities													
Trade and other payables	21,367	821	26	12,039	4,229	134		269	2	102	1	7	38,997
Total current liabilities	**21,367**	**821**	**26**	**12,039**	**4,229**	**134**	**0**	**269**	**2**	**102**	**1**	**7**	**38,997**
Total liabilities	**21,367**	**821**	**26**	**12,039**	**4,229**	**134**	**0**	**269**	**2**	**102**	**1**	**7**	**38,997**

At the end of the reporting period, the company had no financial liabilities in currency subject to exchange risk.

Cash flow hedging

As of 31 December 2018, the Company had undertaken the following futures transactions (recognised based on the regulation date) relative to payables and receivables already recognised to hedge the transaction exchange risk:

OPERATION	CURRENCY	AMOUNT IN LOCAL CURRENCY/000	VALUE IN EURO (FORWARD EXCHANGE RATE) €/000	AVERAGE MATURITY
Purchase	CNY	53,500	6,743	11/02/2019
Purchase	JPY	270,000	2,090	03/02/2019
Purchase	SEK	1,300	126	31/01/2019
Purchase	USD	3,750	3,249	21/01/2019
Sale	CAD	300	198	28/02/2019
Sale	GBP	600	665	07/01/2019
Sale	INR	155,000	1,881	24/01/2019
Sale	USD	23,300	20,295	23/02/2019

As of 31 December 2018, the Company had undertaken the following transactions to hedge the business exchange risk:

OPERATION	CURRENCY	AMOUNT IN LOCAL CURRENCY/000	VALUE IN EURO (FORWARD EXCHANGE RATE) €/000	AVERAGE MATURITY
Purchase	CNY	118,000	14,789	14/06/2019
Sale	GBP	2,900	3,222	22/06/2019

To hedge the economic exchange risk alone, cash flow hedging is adopted with the effective portion of profits and losses recognised in a specific shareholders' equity reserve. Fair value is determined based on market quotations provided by main traders.
As of 31 December 2018 the total fair value of hedging instruments for the economic exchange risk recognised on a hedge accounting basis was negative by €/000 12. During 2018, losses under other components of the Statement of Comprehensive Income were recognised amounting to €/000 12 and net losses from other components of the Statement of Comprehensive Income were reclassified profit/loss for the year amounting to €/000 96.
The net balance of cash flows during 2018 is shown below, divided by main currency:

IN MILLIONS OF EURO	CASH FLOW 2018
Pound Sterling	21.3
Japanese Yen	(0.5)
US Dollar	(25)
Chinese Yuan[39]	(29.4)
Total cash flow in foreign currency	**(33.6)**

In view of the above, an assumed appreciation/deprecation of 3% of the euro would have generated potential profits for €/000 820 and potential losses for €/000 871 respectively.

39 Cash flow partially in euro

Interest rate risk

This risk arises from fluctuating interest rates and the impact this may have on future cash flows arising from variable rate financial assets and liabilities. The Company regularly measures and controls its exposure to the risk of interest rate changes, as established by its management policies, in order to reduce fluctuating borrowing costs, and limit the risk of a potential increase in interest rates. This objective is achieved through an adequate mix of fixed and variable rate exposure, and the use of derivatives, mainly interest rate swaps and cross currency swaps.
As of 31 December 2018, the following hedging derivatives were in use:

Derivatives for fair value hedging

- a Cross Currency Swap to hedge the private debenture loan issued by the Parent Company for a nominal amount of $/000 47,000. The purpose of the instrument is to hedge both the exchange risk and interest rate risk, turning the loan from US dollars to euro, and from a fixed rate to a variable rate; the instrument is accounted for on a fair value hedge basis, with effects arising from the measurement recognised in profit or loss. As of 31 December 2018, the fair value of the instrument was equal to €/000 8,797. The net economic effect arising from the measurement of the instrument and underlying private debenture loan was positive for €/000 489; sensitivity analysis of the instrument and its underlying, assuming a 1% increase and decrease in the shift of the variable rates curve, showed a potential impact on the Income Statement, net of the related tax effect, of €/000 27 and €/000 -5 respectively, assuming constant exchange rates; whereas assuming a 1% reversal and write-down of exchange rates, sensitivity analysis identified a potential impact on the income statement, net of the relative tax effect, of €/000 13 and €/000 -13 respectively.

IN THOUSANDS OF EUROS	FAIR VALUE
Cross Currency Swap	8,797

F) INFORMATION ON SHAREHOLDERS' EQUITY

40. Share capital and reserves €/000 317,385

Share capital €/000 207,614

During the period, the nominal share capital of Piaggio & C. did not change.
Therefore, as of 31 December 2018, the nominal share capital of Piaggio & C., fully subscribed and paid up, was equal to €207,613,944.37, divided into 358,153,644 ordinary shares.

Treasury shares €/000 (1,537)

During the period, 793,818 treasury shares were purchased. Therefore, as of 31 December 2018, Piaggio & C. held 793,818 treasury shares, equal to 0.2216% of the share issued.

SHARES IN CIRCULATION AND TREASURY SHARES

NO. OF SHARES	2018	2017
Situation as of 1 January		
Shares issued	358,153,644	361,208,380
Treasury portfolio shares	0	3,054,736
Shares in circulation	358,153,644	358,153,644
Movements for the period		
Cancellation of treasury shares		(3,054,736)
Purchase of treasury shares	793,818	
Situation as of 31 December		
Shares issued	358,153,644	358,153,644
Treasury portfolio shares	793,818	0
Shares in circulation	357,359,826	358,153,644

In 2019, an additional 80,000 treasury shares were purchased. Therefore at the time of going to press, Piaggio & C. S.p.A. held 873,818 treasury shares, equal to 0.244% of the share capital.

Share premium reserve €/000 7,171

The share premium reserve as of 31 December 2018 was unchanged compared to 31 December 2017.

Legal reserve €/000 20,125

The legal reserve as of 31 December 2018 had increased by €/000 1,030 as a result of the allocation of earnings for the previous year.

Other reserves €/000 (27,423)

This item consists of:

IN THOUSANDS OF EUROS	AS OF 31 DECEMBER 2018	AS OF 31 DECEMBER 2017	CHANGE
Net capital gain from contribution	152	152	0
IFRS transition reserve	1,769	5,789	(4,020)
Financial instruments' fair value reserve	(114)	(320)	206
Translation reserve from the valuation of investments using the equity method	(29,230)	(26,516)	(2,714)
Total other reserves	**(27,423)**	**(20,895)**	**(6,528)**

The financial instruments fair value provision is negative and refers to the effects of cash flow hedge accounting in foreign currencies and interest. These transactions are described in full in the note on financial instruments.

Dividends €/000 19,698

The Shareholders' Meeting of Piaggio & C. S.p.A. of 16 April 2018 resolved to distribute a dividend of 5.5 eurocents per ordinary share. During April this year, therefore, dividends were distributed to a total value of €/000 19,698. Dividends totalling €/000 19,698 were paid in 2017.

	TOTAL AMOUNT		DIVIDEND PER SHARE	
	2018	2017	2018	2017
	€/000	€/000	€	€
Authorised and paid	19,698	19,698	0.055	0.055

Earnings reserve €/000 111,435

The composition of reserves as of 31 December 2018 was as follows:

IN THOUSANDS OF EUROS	AS OF 31 DECEMBER 2018
Earnings reserve	111,435
Of which:	
Earnings reserve from the valuation of investments with the equity method	43,136
Retained earnings (losses)	32,721
Profit (loss) for the period	35,578

Individual items of Shareholders' equity are analytically presented in the table below, based on origin, availability and use in the previous years.

TYPE/DESCRIPTION	AMOUNT	POSSIBLE USE	PORTION AVAILABLE	2014 USES TO COVER LOSSES
IN THOUSANDS OF EUROS				
Share capital	207,614			
Capital reserves:				
Share premium	7,171	A,B,C(*)	7,171	
Profit reserves:				
Legal reserve	20,125	B	---	
Net capital gain from contribution	152	A,B	152	
IAS transition reserve	1,769	A,B	1,769	
Financial instruments' fair value reserve	(114)			
Translation reserve from the valuation of investments with the equity method	(29,230)			
Total Reserves	(127)		9,092	
Earnings reserve from the valuation of investments with the equity method:				
- Discounting the DBO	(986)			
- Financial gains	44,122	A,B	44,122	
Treasury shares	(1,537)			
Reserve for actuarial gains (losses) relative to termination benefit	(7,873)			
Stock option reserve	13,385	A,B,C	13,385	
Retained earnings (losses)	27,209	A,B,C	27,209	1,649
Total retained earnings (losses)	32,721			
Profits (losses) for the period	35,578			
Total shareholders' equity	**317,385**		**93,808**	

Key:
A: to increase capital
B: to cover losses
C: to allocate to shareholders

(*) wholly available to increase capital and cover losses. For other uses, the legal reserve must be made up to 20% of the share capital before hand (also by transfer from the share premium reserve). As of 31 December 2018, this adjustment would have been equal to €/000 21,398.

Pursuant to article 2426, section 5 of the Italian Civil Code, the value of research and development costs still to be amortised as of 31 December 2018 equal to €/000 63,162 is unavailable in shareholders' equity.

41. Other Comprehensive Income (Expense) €/000 (3,551)

The value of other components of the Statement of Comprehensive Income is broken down as follows:

IN THOUSANDS OF EUROS	RESERVE FOR MEASUREMENT OF FINANCIAL INSTRUMENTS	EARNINGS RESERVE	TOTAL OTHER COMPONENTS OF THE STATEMENT OF COMPREHENSIVE INCOME
As of 31 December 2018			
Items that will not be reclassified in the income statement			
Remeasurements of defined benefit plans		(750)	(750)
Portion of components of the Statement of Comprehensive Income of subsidiaries/associates measured with the equity method		(293)	(293)
Total	0	(1,043)	(1,043)
Items that may be reclassified in the income statement			
Total profits (losses) on cash flow hedges	206		206
Portion of components of the Statement of Comprehensive Income of subsidiaries/associates measured with the equity method		(2,714)	(2,714)
Total	206	(2,714)	(2,508)
Other components of the Statement of Comprehensive Income	**206**	**(3,757)**	**(3,551)**
As of 31 December 2017			
Items that will not be reclassified in the income statement			
Remeasurements of defined benefit plans		828	828
Portion of components of the Statement of Comprehensive Income of subsidiaries/associates measured with the equity method		451	451
Total	0	1,279	1,279
Items that may be reclassified in the income statement			
Total profits (losses) on cash flow hedges	68		68
Portion of components of the Statement of Comprehensive Income of subsidiaries/associates measured with the equity method		(10,547)	(10,547)
Total	68	(10,547)	(10,479)
Other components of the Statement of Comprehensive Income	**68**	**(9,268)**	**(9,200)**

The tax effect relative to other components of the Statement of Comprehensive Income is broken down as follows:

	AS OF 31 DECEMBER 2018			AS OF 31 DECEMBER 2017		
	GROSS VALUE	TAX (EXPENSE) / BENEFIT	NET VALUE	GROSS VALUE	TAX (EXPENSE) / BENEFIT	NET VALUE
IN THOUSANDS OF EUROS						
Remeasurements of defined benefit plans	(987)	237	(750)	1,089	(261)	828
Total profits (losses) on cash flow hedges	271	(65)	206	89	(21)	68
Portion of components of the Statement of Comprehensive Income of subsidiaries/associates measured with the equity method	(3,007)		(3,007)	(10,096)		(10,096)
Other components of the Statement of Comprehensive Income	**(3,723)**	**172**	**(3,551)**	**(8,918)**	**(282)**	**(9,200)**

G) OTHER INFORMATION

42. Share-based incentive plans

As of 31 December 2018, there were no incentive plans based on financial instruments.

43. Fees for Directors, Statutory Auditors and Key Managers

For a complete description and analysis of fees of Directors and Statutory Auditors, reference is made to the remuneration report available from the registered office, and on the Company's website in the section "Governance". At present, the Company has not identified any Key Senior Managers.

IN THOUSANDS OF EUROS	2018
Directors	2,172
Statutory auditors	155
Total fees	**2,327**

44. Information on related parties

Revenues, costs, payables and receivables as of 31 December 2018 involving parent companies, subsidiaries and affiliated companies refer to the sale of goods or services which are a part of normal operations of the Group.
Transactions are carried out at normal market values, depending on the characteristics of the goods and services provided.
Information on transactions with related parties, including information required by Consob in its communication of 28 July 2006 no. DEM/6064293, is reported below.
The procedure for transactions with related parties, pursuant to article 4 of Consob Regulation no. 17221 of 12 March 2010 as amended, approved by the Board on 30 September 2010, is published on the institutional site of the Issuer www.piaggiogroup.com, under Governance.

Relations with Parent Companies

Piaggio & C. S.p.A. is controlled by the following companies:

DESIGNATION	REGISTERED OFFICE	TYPE	% OF OWNERSHIP AS OF 31 DECEMBER 2018	% OF OWNERSHIP AS OF 31 DECEMBER 2017
IMMSI S.p.A.	Mantova - Italy	Direct parent company	50.6287	50.0703
Omniaholding S.p.A.	Mantova - Italy	Final parent company	0.0215	0.1370

During 2018, transactions on the shares of parent companies were not carried out directly or indirectly.
Piaggio & C. S.p.A. is subject to the management and coordination of IMMSI S.p.A. pursuant to article 2497 et seq. of the Italian Civil Code. During the period, this management and coordination concerned the following activities:

- as regards mandatory financial disclosure, and in particular the financial statements and reports on operations of the Group, IMMSI has produced a group manual containing the accounting standards adopted and options chosen for implementation, in order to give a consistent and fair view of the consolidated financial statements.

- IMMSI has defined procedures and times for preparing the budget and in general the business plan of Group companies, as well as final management analysis to support management control activities.

- IMMSI has also provided services for the development and management of Company assets, with a view to optimising resources within the Group, and provided property consultancy services and other administrative services.

- IMMSI has provided consultancy services and assistance for the Company and subsidiaries concerning extraordinary financing operations, organisation, strategy and coordination, as well as services intended to optimise the financial structure of the Group.

In 2016, for a further three years, the Parent Company signed up to the National Consolidated Tax Mechanism pursuant to articles 117 to 129 of the Consolidated Income Tax Act (T.U.I.R.) of which IMMSI S.p.A. is the consolidating company, and to whom other IMMSI Group companies report to. The consolidating company determines a single global income equal to the algebraic sum of taxable amounts (income or loss) realised by individual companies that opt for this type of group taxation.
The consolidating company recognises a receivable from the consolidated company which is equal to the corporate tax to be paid on the taxable income transferred by the latter. Whereas, in the case of companies reporting tax losses, the consolidating company recognises a payable related to corporate tax on the portion of loss actually used to determine global overall income, or calculated as a decrease of overall income for subsequent tax periods, according to the procedures in article 84, based on the criterion established by the consolidation agreement.
Under the National Consolidated Tax Mechanism, companies may, pursuant to article 96 of Presidential Decree no. 917/86, allocate the excess of interest payable which is not deductible to one of the companies so that, up to the excess of Gross Operating Income produced in the same tax period by other subjects party to the consolidation, the amount may be used to reduce the total income of the Group.
Piaggio & C. S.p.A. has undertaken a rental agreement for offices owned by Omniaholding S.p.A.. This agreement, signed in normal market conditions, was previously approved by the Related Parties Transactions Committee, as provided for by the procedure for transactions with related parties adopted by the Company.

In the period from 1 January to 9 May 2018, Omniaholding S.p.A. held bonds of Piaggio & C. for a value of €2.9 million, accruing relative interest.
At present, it no longer holds bonds of Piaggio & C..

Pursuant to article 2.6.2, section 13 of the Regulation of Stock Markets organised and managed by Borsa Italiana S.p.A., the conditions as of article 37 of Consob regulation no. 16191/2007 exist.

Transactions with Piaggio Group companies

The main intercompany relations with subsidiaries refer to the following transactions:

Piaggio & C. S.p.A.

- sells vehicles, spare parts and accessories to sell on respective markets, to:
  - Piaggio Hrvatska
  - Piaggio Hellas
  - Piaggio Group Americas
  - Piaggio Vehicles Private Limited
  - Piaggio Vietnam
  - Piaggio Concept Store Mantova

- sells components to:
  - Piaggio Vehicles Private Limited
  - Piaggio Vietnam

- grants licences for rights to use the brand and technological know how to:
  - Piaggio Vehicles Private Limited
  - Piaggio Vietnam

- provides support services for scooter and engine industrialisation to:
  - Piaggio Vehicles Private Limited
  - Piaggio Vietnam

- provides support services for staff functions to other Group companies;
- issues guarantees for the Group's subsidiaries, for medium-term loans;
- purchases vehicles, spare parts and accessories from:
  - Piaggio Vehicles Private Limited
  - Piaggio Vietnam

- receives a vehicle, spare parts and accessories distribution service on respective markets from:
  - Piaggio Hrvatska
  - Piaggio Hellas
  - Piaggio Group Americas
  - Piaggio Vehicles Private Limited
  - Piaggio Vietnam

- receives a sales promotion service and after-sales services on respective markets from:
  - Piaggio France
  - Piaggio Deutschland
  - Piaggio Limited
  - Piaggio España
  - Piaggio Vespa

- receives a components and vehicles design/development service and a local supplier scouting service from Foshan Piaggio Vehicles Technologies R&D;

- receives a vehicle and components research/design/development service from Piaggio Advanced Design Center;

- receives a racing team management service and vehicle design service from Aprilia Racing.

Relations between Piaggio & C. S.p.A. and JV Zongshen Piaggio Foshan Motorcycle Co. Ltd

Main intercompany relations between Piaggio & C S.p.A. and JV Zongshen Piaggio Foshan Motorcycle Co. Ltd, refer to the following transactions:

Piaggio & C. S.p.A.

- grants licences for rights to use the brand and technological know how to Zongshen Piaggio Foshan Motorcycle Co. Ltd..

Zongshen Piaggio Foshan Motorcycle Co. Ltd

- sells vehicles, spare parts and accessories, which it has manufactured in some cases, to Piaggio & C. S.p.A. for subsequent sale.

The table below summarises relations described above and financial relations with parent companies, subsidiaries and affiliated companies as of 31 December 2018 and relations during the year, as well as their overall impact on financial statement items.

	REVENUES FROM SALES	COSTS FOR MATERIALS	COSTS FOR SERVICES, LEASES AND RENTALS	OTHER OPERATING INCOME	OTHER OPERATING COSTS	RESULT FROM MEA-SUREMENT EQUITY POS/(NEG)	FINANCIAL INCOME	BORROWING COSTS	TAXES	OTHER RECEIVABLES >12 MONTHS	TRADE RECEIVABLES	OTHER RECEIVABLES <12 MONTHS	FINANCIAL RECEIVABLES	TRADE PAYABLES	OTHER PAYABLES <12 MONTHS
IN THOUSANDS OF EUROS															
Aprilia Racing Srl	334	(63)	(13,440)	1,326		(440)	55				5	334	5,017	98	
Aprilia Brasil Industria S.A.															
Atlantic 12						(558)									
Fondazione Piaggio			(4)							94		0		1	5
Foshan Piaggio Vehicles Technology R&D Co. Ltd	100		(1,840)	235							100	359		977	
Immsi Audit			(820)	28	(5)							23		50	
IMMSI S.p.A.			(2,701)	52	(13)		17		3,808		12	13,888		1,602	6,203
Is Molas S.p.A.			(11)											3	
Nacional Motor S.A.						(1,667)	58					50	5,365		
Omniaholding			(63)					(82)						39	
Piaggio Advanced Design Center Corporation			(572)			23								93	
Piaggio Asia Pacific Ltd				350								188		134	42
Piaggio Concept Store Mantova	1,304		(12)	203		(612)	8				2,486	309		25	750
Piaggio Deutschland GMBH			(5,109)	168			1					86		1,285	338
Piaggio España SLU			(4,200)	103		323					72	413		1,252	119
Piaggio Fast Forward				3		(11,474)	414					54	1,611		
Piaggio France SAS			(6,383)	105			1				1	52		795	4,081
Piaggio Group Americas Inc.	37,853		(548)	942	(84)						7,295	476		6	
Piaggio Group Japan				69								25			
Piaggio Hellas S.A.	20,200		(190)	1,397							1,268	39		48	
Piaggio Hrvatska Doo	3,902		(6)	135							1,833	13		1	
Piaggio Limited			(2,420)	63							1	33		514	
Piaggio Vehicles Pvt. Ltd	1,674	(26,202)	(299)	17,173	(2)	37,338					1,934	9,541		6,529	23
Piaggio Vespa B.V.			(2,820)	56	(662)	8,457					5	7,058		657	119
Piaggio Vietnam Co. Ltd	20,397	(49,333)	(180)	13,174	(14)	13,325					6,985	20,825		2,687	427
Pontedera & Tecnologia S.C.AR.L						15									
PT Piaggio Indonesia				935		(1)						365			72
Zongshen Piaggio Foshan Motorcycle Co. Ltd	854	(18,501)		310	(79)	297					981	1,033		5,022	17
Piaggio China						114									
TOTAL	86,618	(94,099)	(41,618)	36,827	(859)	45,140	554	(82)	3,808	94	22,978	55,164	11,993	21,818	12,196
% of accounting item	10.8%	19.6%	25.5%	32.5%	6.7%	100.0%	9.9%	0.3%	N.A.	1.6%	47.8%	85.0%	81.0%	8.0%	28.2%

45. Contract commitments and guarantees

Contract commitments of the Company are summarised based on their expiry.

IN THOUSANDS OF EUROS	IN 1 YEAR	BETWEEN 2 AND 5 YEARS	AFTER 5 YEARS	TOTAL
Operating leases	4,913	9,633	-	14,546
Other commitments	1,448	763	-	2,211
Total	**6,361**	**10,396**	**-**	**16,757**

The main guarantees issued by banks on behalf of Piaggio & C. S.p.A in favour of third parties are listed below:

TYPE	AMOUNT €/000
A guarantee of Piaggio & C. for USD 22,000,000 relative to the working capital loan of USD 20,000,000 granted by ANZ to the subsidiary Piaggio Vietnam	
of which drawn	0
of which undrawn	17,467
A guarantee of Piaggio & C. for USD 11,000,000 relative to the working capital loan of USD 10,000,000 granted by Hongkong and Shanghai Banking Corporation to the subsidiary Piaggio Vietnam	
of which drawn	0
of which undrawn	8,734
A guarantee of Piaggio & C. for USD 11,500,000 relative to the working capital loan of USD 10,000,000 granted by BNP Paribas to the subsidiary Piaggio Vietnam	
of which drawn	0
of which undrawn	8,734
A guarantee of Piaggio & C. for the credit line of the loan granted by VietinBank to the subsidiary Piaggio Vietnam	
of which drawn	12,767
of which undrawn	0
A guarantee of Piaggio & C. for USD 5,500,000 relative to the working capital loan of USD 5,000,000 granted by Hongkong and Shanghai Banking Corporation to the subsidiary Piaggio Indonesia	
of which drawn	
of which undrawn	4,366
A guarantee of Piaggio & C. for USD 6,000,000 relative to the working capital loan of USD 5,000,000 granted by Bank of America to the subsidiary Piaggio Indonesia	
of which drawn	0
of which undrawn	4,366
A warrant to grant credit of Piaggio & C. to guarantee the credit line from Intesa Sanpaolo to the subsidiary Piaggio Group Americas for USD 19,000,000	
of which drawn	1,310
of which undrawn	15,284
A warrant to grant credit of Piaggio & C. to guarantee the credit line from Intesa Sanpaolo to the subsidiary Piaggio Group Japan for USD 4,500,000	
of which drawn	2,733
of which undrawn	1,197

The main guarantees issued by banks on behalf of Piaggio & C. S.p.A in favour of third parties are listed below:

TYPE	AMOUNT €/000
A guarantee of BCC-Fornacette issued to Pisa Customs Authorities for handling Piaggio goods at the Pisana docks and at Livorno Port	220
Guarantee of BCC-Fornacette issued in favour of Poste Italiane – Rome to guarantee contract obligations for the supply of vehicles	1,332
Guarantee of BCC-Fornacette issued in favour of Motoride Spa to reimburse VAT following the deductible tax surplus	298
Guarantee of Banco di Brescia issued to the local authorities of Scorzè, to guarantee payment of urbanisation and construction charges relative to the Scorzè site	166
Guarantee of Banca Intesa San Paolo issued to the Ministry of the Interior of Algeria, to guarantee contract obligations for the supply of vehicles	53
Guarantee of Banca Intesa San Paolo issued to the Ministry of the Defense of Algeria, to guarantee contract obligations for the supply of vehicles	298

46. Disputes

For details of litigation, see the same section in the Notes to the Consolidated Financial Statements.

47. Grants, contributions, paid appointments and economic benefits from the public administration

In compliance with paragraph 125 of Law no. 124/2017 of 4 August 2017, details per project are given below of funds received during 2018 and revenues from public administrations:

PROJECTS	FUNDING ENTITY	2018 FUNDS
FIGURES IN EURO		
MADE IN ITALY (DE.TECH)	Ministry for Economic Development in the Industry 2015-Made in Italy award	18,481.95
RESOLVE	European Commission - Horizon 2020 prizes	372,862.64
PIONEERS	European Commission - Horizon 2020 prizes	215,514.10
CENTAURO	Tuscany Region in the FAR-FAS 2014 call	120,971.91
Total		**727,830.60**

CUSTOMERS	2018 REVENUES
FIGURES IN EURO	
Italian Municipalities	466,759.49
Arma dei Carabinieri	57,509.45
Schools and Universities	44,713.00
Guardia di Finanza	12,760.10
Consiglio Nazionale delle Ricerche	409.84
U.S.L (Local Health Authority)	250.00
Total	**582,401.88**

48. Significant non-recurring events and operations

On 9 April 2018, Company exercised the call option of the debenture loan issued by the Company on 24 April 2014 for a total amount of €/000 250,000 and maturing on 30 April 2021. On 9 May, the remaining portion of this loan (equal to approximately €168,497 million) was paid back at the price of 101.25%, after the finalisation of the exchange offer launched on 9 April.

The transaction resulted in the following being recognised in profit or loss for 2018:
- borrowing costs related to premiums paid to bond holders that did not take up to the exchange offer and for the exchange of outstanding securities and costs of the repaid loan not yet amortised (€3,530 thousand);
- financial income from the operation to change the original liability with a new bond issued at more favourable conditions for the issuer (€4,431 thousand).

The operation comes under significant non-recurrent transactions, as defined by CONSOB Communication no. DEM/6064293 of 28 July 2006. For 2017, no significant non-recurrent transactions were recorded.

49. Transactions arising from atypical and/or unusual transactions

During 2018 and 2017, the Company did not record any significant atypical and/or unusual operations, as defined by Consob Communication DEM/6037577 of 28 April 2006 and DEM/6064293 of 28 July 2006.

50. Events occurring after the end of the period

No events to be reported occurred after the end of the period.

51. Proposal to allocate profit

The Financial Statements as of 31 December 2018 record a profit for the year equal to €35,578,436.60.
The Board of Directors of Piaggio & C S.p.A. proposes allocating profit as follows:
- Euro 1,778,921.83 as legal reserve;
- Euro 31,043,040.54 as reserve for equity-accounted investees;
- Euro 2,756,474.23 to the Shareholders as a dividend.

Furthermore, taking into account the amount of the available reserves arising from the Company's financial statements, equal to Euro 30,507,168.73 (net of development costs – pursuant to article 2426, no. 5, of the Italian Civil Code – and the purchase of treasury shares), and taking also into account the Group development perspectives, we hereby propose to distribute a dividend equal to Euro 0.090, gross of taxes, per ordinary share having the right to it, for a total amount of Euro 32,155,184.34 allocated as follows: (i) Euro 29,398,710.11 of the retained earnings reserve; and (ii) Euro 2,756,474.23 of the net residual profit of 2018 following the allocations to the legal reserve and to the reserve for equity-accounted investees and to schedule 23rd April 2019 as ex-dividend date (coupon No. 12), 24th April 2019 as dividend record date and 25th April 2019 as the date from which the dividend is payable.

52. Authorisation for publication

This document was published on 22 March 2019 authorised by the Chairman and Chief Executive Officer.

Mantova, 25 February 2019

for the Board of Directors

Chairman and Chief Executive Officer
Roberto Colaninno

ATTACHMENTS

Piaggio Group companies

Reference is made to attachments to the Consolidated Financial Statements.

Information pursuant to article 149-duodecies of the Consob Regulation on Issuers

The following statement was prepared pursuant to article 149 duodecies of the Consob Regulation on Issuers and indicates the fees for 2018 for auditing services and other services provided by the same independent auditors and entities belonging to the auditing firm's network.

TYPE OF SERVICE	SUBJECT PROVIDING THE SERVICE	FEES FOR 2018
FIGURES IN EURO		
Auditing services	PWC	367,225
Auditing services for the NFS and CSR	PWC	51,000
Certification services	PWC	352,000
Other services	PWC	152,000
Total		**922,225**

Information on company management and coordination activities

The Company is subject to the management and coordination of IMMSI S.p.A..
Pursuant to article 2497-bis, section 4 of the Italian Civil Code, main data of the last financial statements of the parent company IMMSI S.p.A, with registered office in Mantova (MN), Piazza Vilfredo Pareto 3 – tax code 07918540019, for the year ended 31 December 2017, are summarised below. The above essential data were taken from the Financial Statements for the year ended 31 December 2017. To fully understand the financial position of IMMSI S.p.A as of 31 December 2017, as well as the financial performance of the company in the year ending at this date, reference is made to the financial statements, and the report of the independent auditors, available in the forms and according to procedures established by law.

INCOME STATEMENT

IN MIGLIAIA DI EURO		2017	2016
Financial income		29,939	18,688
	Of which related parties and intergroup	*25,017*	*18,346*
Borrowing costs		(25,685)	(10,478)
	Of which related parties and intergroup	*(15,040)*	-
Income/(loss) from investments		-	-
Operating income		4,452	4,277
	Of which related parties and intergroup	*2,356*	*1,949*
Costs for materials		(37)	(34)
Costs for services, leases and rentals		(3,615)	(3,426)
	Of which related parties and intergroup	*(428)*	*(435)*
Employee costs		(1,104)	(1,245)
Depreciation of plant, property and equipment		(67)	(78)
Amortisation of goodwill			-
Amortisation of intangible assets with a definite life			-
Other operating income		114	124
	Of which related parties and intergroup	*83*	*92*
Other operating costs		(778)	(697)
Profit before tax		**3,219**	**7,131**
Taxes		(175)	(1,639)
	Of which related parties and intergroup	-	-
Profit after taxes from continuing operations		**3,044**	**5,492**
Profit or loss arising from assets held for disposal or sale		-	-
Net profit for the period		**3,044**	**5,492**

STATEMENT OF COMPREHENSIVE INCOME

IN THOUSANDS OF EUROS	2017	2016
Net profit for the period	**3,044**	**5,492**
Items that may be reclassified to profit or loss:		
Profits (losses) from the fair value measurement of assets available for sale (AFS)	-	(6,695)
Effective portion of profit (losses) from instruments to hedge financial flows	221	274
Items that will not be reclassified in the income statement:		
Gains (losses) from the fair value measurement of financial assets	(18,057)	-
Actuarial gains (losses) relative to defined benefit plans	9	(15)
Total profit (loss) for the period	**(14,782)**	**(944)**

STATEMENT OF FINANCIAL POSITION

IN THOUSANDS OF EUROS		AS OF 31 DECEMBER 2017	AS OF 31 DECEMBER 2016 RESTATED
NON-CURRENT ASSETS			
Intangible assets		-	-
Plant, property and equipment		68	119
	Of which related parties and intergroup	*-*	*5*
Investment Property		74,114	74,055
Investments in subsidiaries and associates		310,331	322,332
Other financial assets		-	13,996
Tax receivables		-	-
Deferred tax assets		-	-
Trade receivables and other receivables		6	6
Total non-current assets		**384,519**	**410,509**
ASSETS HELD FOR DISPOSAL			**-**
CURRENT ASSETS			
Trade receivables and other receivables		26,770	25,592
	Of which related parties and intergroup	*26,350*	*25,011*
Tax receivables		191	120
Inventories		-	-
Works in progress to order		-	-
Other financial assets		239,261	215,039
	Of which related parties and intergroup	*234,916*	*207,416*
Cash and cash equivalents		5,281	792
Total current assets		**271,503**	**241,543**
Total assets		**656,022**	**652,052**
SHAREHOLDERS' EQUITY			
Share capital		178,464	178,464
Reserves and retained earnings		174,481	186,816
Net profit for the period		3,044	5,492
Total shareholders' equity		**355,989**	**370,771**
NON-CURRENT LIABILITIES			
Financial liabilities		102,017	-
Trade payables and other payables		208	422
Retirement fund and similar obligations		318	302
Other long-term provisions		-	-
Deferred tax assets/liabilities		19,375	19,128
Total non-current liabilities		**121,918**	**19,852**
LIABILITIES RELATED TO ASSETS HELD FOR DISPOSAL		**-**	**-**
CURRENT LIABILITIES			
Financial liabilities		175,101	257,453
Trade payables		1,450	1,918
	Of which related parties and intergroup	*442*	*361*
Current taxes		522	281
Other payables		1,042	1,776
	Of which related parties and intergroup	*2*	*2*
Current portion of other long-term provisions		-	-
Total current liabilities		**178,115**	**261,429**
Total Shareholders' Equity and Liabilities		**656,022**	**652,052**

CERTIFICATION OF THE FINANCIAL STATEMENTS PURSUANT TO ARTICLE 154-BIS OF LEGISLATIVE DECREE NO. 58/98

1. The undersigned Roberto Colaninno (Chairman and Chief Executive Officer) and Alessandra Simonotto (Appointed Executive) of Piaggio & C. S.p.A. hereby certify, also in consideration of article 154-bis, sections 3 and 4, of Legislative Decree no. 58 of 24 February 1998:
   - the appropriateness with regard to the company's characteristics and
   - the actual application of administrative and accounting procedures for the formation of the Separate Financial Statements as of 31 December 2018.
2. With regard to the above, no relevant aspects are to be reported.

3. Moreover

   3.1 the financial statements:

   a. have been prepared in compliance with the international accounting standards endorsed by the European Community pursuant to regulation (EC) no. 1606/2002 of the European Parliament and Council of 19 July 2002;

   b. correspond to accounting records;

   c. give a true and fair view of the statement of financial position and results of operations of the Issuer;

   3.2 The Report on Operations includes reliable analysis of the trend of operations and operating results, as well as the situation of the Issuer and a description of main risks and uncertainties to which they are exposed.

Date: 25 February 2019

Chairman and Chief Executive Officer **Executive in charge**

REPORT OF THE INDEPENDENT AUDITORS ON THE FINANCIAL STATEMENTS OF THE PARENT COMPANY

pwc

Independent auditor's report

in accordance with article 14 of Legislative Decree No. 39 of 27 January 2010 and article 10 of Regulation (EU) No. 537/2014

To the shareholders of
Piaggio & C. SpA

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Piaggio & C. SpA (the Company), which comprise the statement of financial position as of 31 December 2018, the income statement, statement of comprehensive income, statement of changes in shareholders' equity, statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as of 31 December 2018, and of the result of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/05.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of this report. We are independent of the Company pursuant to the regulations and standards on ethics and independence applicable to audits of financial statements under Italian law. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

PricewaterhouseCoopers SpA

Sede legale e amministrativa: Milano 20149 Via Monte Rosa 91 Tel. 0277851 Fax 027785240 Cap. Soc. Euro 6.890.000,00 i.v., C.F. e P.IVA e Reg. Imp. Milano 12979880155 Iscritta al n° 119644 del Registro dei Revisori Legali - Altri Uffici: **Ancona** 60131 Via Sandro Totti 1 Tel. 0712132311 - **Bari** 70122 Via Abate Gimma 72 Tel. 0805640211 - **Bologna** 40126 Via Angelo Finelli 8 Tel. 0516186211 - **Brescia** 25123 Via Borgo Pietro Wuhrer 23 Tel. 0303697501 - **Catania** 95129 Corso Italia 302 Tel. 0957532311 - **Firenze** 50121 Viale Gramsci 15 Tel. 0552482811 - **Genova** 16121 Piazza Piccapietra 9 Tel. 01029041 - **Napoli** 80121 Via dei Mille 16 Tel. 08136181 - **Padova** 35138 Via Vicenza 4 Tel. 049873481 - **Palermo** 90141 Via Marchese Ugo 60 Tel. 091349737 - **Parma** 43121 Viale Tanara 20/A Tel. 0521275911 - **Pescara** 65127 Piazza Ettore Troilo 8 Tel. 0854545711 - **Roma** 00154 Largo Fochetti 29 Tel. 06570251 - **Torino** 10122 Corso Palestro 10 Tel. 011556771 - **Trento** 38122 Viale della Costituzione 33 Tel. 0461237004 - **Treviso** 31100 Viale Felissent 90 Tel. 0422696911 - **Trieste** 34125 Via Cesare Battisti 18 Tel. 0403480781 - **Udine** 33100 Via Poscolle 43 Tel. 043225789 - **Varese** 21100 Via Albuzzi 43 Tel. 0332285039 - **Verona** 37135 Via Francia 21/C Tel. 0458263001 - **Vicenza** 36100 Piazza Pontelandolfo 9 Tel. 0444393311

www.pwc.com/it

Key audit matters	*Auditing procedures performed in response to key audit matters*
Verification of the capitalisation criteria related to investments in development costs, industrial patent and intellectual property rights	
Note C15) to the financial statements "Intangible assets" During the financial year 2018, the Company made investments amouting to Euro 70.4 million, mainly in relation to the study of new vehicles and new engines which will feature as the future products in the 2018-2020 range. The net book value at 31 December 2018 of development costs and industrial patent rights amounted to Euro 153.3 million, equal to approximately 12 per cent of total assets. Given the size of the annual investments and the high degree of professional judgement required to verify the compliance with the requirements of the international accounting standard "IAS 38 – Intangible Assets" adopted by the European Union, we considered it necessary to focus on this specific financial statement area. Management's main estimates relate to the technical feasibility and the availability of adequate resources, including financial resources, to complete the product being developed, the intention to complete the product for sale, as well as the verification of the existence of future cash flows from the sale of the product that are adequate to support the future recoverability of the costs capitalised and recorded in the financial statements.	We obtained an understanding of and evaluated the procedure adopted by Piaggio for capitalising development costs, industrial patent and intellectual property rights. We then obtained details of the costs capitalised by project, and analysed, on a sample basis, the increases and decreases during the year with particular attention to the compliance with the requirements of international accounting standard "IAS 38 – Intangible Assets" adopted by the European Union for the capitalisation of internally generated intangible assets. Our procedures also included discussions with management aimed at understanding the characteristics of the various projects. We also verified, on a sample basis, the estimated future cash flows and management's subsequent monitoring of the estimated future cash flows, which occurs at least once a year.
Assessment of the recoverability of goodwill	
Note C15) to the financial statements "Intangible assets" Goodwill which amounted to Euro 369 million as of 31 December 2018, is considered a significant	We obtained an understanding of and evaluated the estimates made by management with regard to the expected cash flows over a four-year period, inferred from budget data for 2019 and supplemented by forecast data

item, equal to approximately 29 per cent of total assets. Given the complex valuation processes in respect of a number of variables and the high degree of professional judgement required for this financial statement area, we paid special attention to management's estimates relating to the recoverability of the goodwill recognised in the financial statements in accordance with international accounting standard "IAS 36 – Impairment of Assets" adopted by the European Union. Management calculated the present value of expected future cash flows to determine the recoverable amount of each cash generating unit identified, to which goodwill was allocated, to be compared with the carrying amount of assets and liabilities attributed to respective cash generating unit. In this respect, the main activities carried out by management were related to the estimate of the expected future cash flows, the methods used to calculate the discount rate and the steady growth rate of the financial cash flows beyond the reference time period.	for 2020-2022 (the "Plan"). As part of this process we examined sector studies and reviews. Furthermore, with the support of PwC network experts, we retraced the methods used to calculate the discount rate and the steady growth rate of financial cash flows beyond the time period of the Plan approved by management. The analysis was specifically focused on the cash generating units identified by management, verifying also the correct determination of the carrying amount of assets and liabilities attributed to the each single cash generating unit. With the support of PwC network experts, we conducted sensitivity analyses in relation to the significant assumptions adopted by the Company's management in order to determine whether there was any impairment of goodwill. Finally, we verified the information included in the explanatory notes to the separate financial statements as of 31 December 2018.

Assessment of the recoverability of deferred tax assets

Note C18) to the financial statements "Deferred tax assets" Deferred tax assets in the separate financial statements of Piaggio & C. SpA as of 31 December 2018 amounted to Euro 41.8 million and primarily related to the temporary differences mainly due to provisions, as well as prior years tax losses. Piaggio & C. SpA joined the National Consolidated Tax Convention of the IMMSI Group, whose consolidating entity is IMMSI SpA. In addition to the future results expected by Piaggio & C. SpA, the recoverability of deferred tax assets also depends on the results of all companies that are part of the National Consolidated Tax Convention of the IMMSI	Our audit procedures consisted of assessing the reasonableness of the estimates made by management in forecasting the future taxable profit of Piaggio & C. SpA, included in the plan approved by the Board of Directors on 21 February 2019. These activities were carried out with the involvement of PwC network experts. We also obtained the findings of the work performed by the Group auditor on the parent company IMMSI SpA in respect of the recoverability of deferred tax assets of all companies included in the National Consolidated Tax Convention of the IMMSI Group.

Group. Assessing the recoverability of deferred tax assets is a key audit matter given the significance of the amounts and the complexity of the valuation process which requires significant accounting estimates to be made by the management of Piaggio & C. SpA and of the IMMSI Group, with the objective of forecasting the future taxable results of all companies that are part of the National Consolidated Tax Convention of the IMMSI Group.	

Responsibilities of the Directors and the Board of Statutory Auditors for the Financial Statements

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/05 and, in the terms prescribed by law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The directors are responsible for assessing the Company's ability to continue as a going concern and, in preparing the financial statements, for the appropriate application of the going concern basis of accounting, and for disclosing matters related to going concern. In preparing the financial statements, the directors use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The board of statutory auditors is responsible for overseeing, in the terms prescribed by law, the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit conducted in accordance with International Standards on Auditing (ISA Italia), we exercised our professional judgement and maintained professional scepticism throughout the audit. Furthermore:

- We identified and assessed the risks of material misstatement of the financial statements, whether due to fraud or error; we designed and performed audit procedures responsive to those risks; we obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- We obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- We evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by directors;
- We concluded on the appropriateness of directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;
- We evaluated the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicated with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identified during our audit.

We also provided those charged with governance with a statement that we complied with the regulations and standards on ethics and independence applicable under Italian law and communicated with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determined those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We described these matters in our auditor's report.

Additional Disclosures required by Article 10 of Regulation (EU) No 537/2014

On 13 April 2012, the shareholders of Piaggio & C. SpA in general meeting engaged us to perform the statutory audit of the Company's and consolidated financial statements for the years ending 31 December 2012 to 31 December 2020.

We declare that we did not provide any prohibited non-audit services referred to in article 5, paragraph 1, of Regulation (EU) No. 537/2014 and that we remained independent of the Company in conducting the statutory audit.

We confirm that the opinion on the financial statements expressed in this report is consistent with the additional report to the board of statutory auditors, in its capacity as audit committee, prepared pursuant to article 11 of the aforementioned Regulation.

Report on Compliance with other Laws and Regulations

Opinion in accordance with Article 14, paragraph 2, letter e), of Legislative Decree No. 39/10 and Article 123-bis, paragraph 4, of Legislative Decree No. 58/98

The directors of Piaggio & C. SpA are responsible for preparing a report on operations and a report on the corporate governance and ownership structure of Piaggio & C. SpA as of 31 December 2018, including their consistency with the relevant financial statements and their compliance with the law.

We have performed the procedures required under auditing standard (SA Italia) No. 720B in order to express an opinion on the consistency of the report on operations and of the specific information included in the report on corporate governance and ownership structure referred to in article 123-bis, paragraph 4, of Legislative Decree No. 58/98, with the financial statements of Piaggio & C. SpA as of 31 December 2018 and on their compliance with the law, as well as to issue a statement on material misstatements, if any.

In our opinion, the report on operations and the specific information included in the report on corporate governance and ownership structure mentioned above are consistent with the financial statements of Piaggio & C. SpA as of 31 December 2018 and are prepared in compliance with the law.

With reference to the statement referred to in article 14, paragraph 2, letter e), of Legislative Decree No. 39/10, issued on the basis of our knowledge and understanding of the Company and its environment obtained in the course of the audit, we have nothing to report.

Florence, 20 March 2019

PricewaterhouseCoopers SpA

Signed by

Francesco Forzoni
(Partner)

This report has been translated into English from the Italian original solely for the convenience of international readers

6 of 6


aprilia

REPORT OF THE BOARD OF STATUTORY AUDITORS ON THE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

REPORT by the BOARD OF STATUTORY AUDITORS
on the FINANCIAL STATEMENTS as at 31 December 2018

To the Shareholders,

In this report – drawn up in accordance with article 153 of Legislative Decree no. 58/1998 and the second paragraph of article 2429 of the Italian Civil Code − the Board of Statutory Auditors of Piaggio & C. SpA describes the work and checks that it carried out in the financial year ended 31 December 2018, in compliance with the relevant legislation, and also taking into account the rules of conduct recommended by the *Consiglio Nazionale dei Dottori Commercialisti e dei Ragionieri* (National Council of Professional Accountants).

1. The work of the Board of Statutory Auditors

In 2018 the Board of Statutory Auditors carried out its statutory duties in compliance with the rules of the Italian Civil Code, Legislative Decree no. 39/2010, as amended by Legislative Decree no. 135/2016, Legislative Decree no. 58/1998 (the Consolidated Law on Finance or "TUF"), the company's articles of association, and the rules issued by public regulatory authorities, also taking into account the rules of conduct recommended by the *Consiglio Nazionale dei Dottori Commercialisti e dei Ragionieri* (National Council of Professional Accountants).

Over the course of the year, the Board of Statutory Auditors held 12 meetings, eight of which with the Control and Risk Committee.

The Board also attended all the meetings of the Board of Directors.

The Chair of the Board of Statutory Auditors, or another member of the Board, attended the meetings of the Control and Risk Committee.

The head of Internal Audit also attended the meetings of the Board of Statutory Auditors, as a permanent guest, to ensure continuous interfacing with the third-level control function.

2. Significant transactions during the year

In the course of its supervisory work, the Board of Statutory Auditors periodically obtained from the company's directors, also by attending their board meetings, information on the activities and most important business, economic and financial transactions approved and implemented by the company and its subsidiaries, also pursuant to article 150(1) of the TUF.

The Board of Statutory Auditors also monitored significant one-off operations, as defined in CONSOB Communication no. DEM/6064293 of 28 July 2006. It noted that, on 9 April 2018, a bond-exchange offer was launched, involving the exchange of bonds issued in 2014 for newly issued ones, as well as the simultaneous exercise of the call option on all the bonds not exchanged, subject to the success of the new bond issue on the market. This offer was taken up by 32.6% of the bondholders, for an overall amount of €/000 81,503.

On 18 April 2018 there was a high-yield bond issue (bonds with the same features as those issued in 2014), amounting to €/000 250,000. The maturity date of the bonds is 30 April 2025 and the fixed annual nominal coupon rate is 3.625% (as already mentioned, old bonds were exchanged for new ones to an amount of €/000 81,503, while the rest of the new bonds were paid for through the injection of new cash into the Group, with a

1

view to financing the exercise of the call option for the full repayment of the previous issue). The notes to the financial statements describe the entries booked in the P&L account as a result of the operation.

3. Checks

3.1 – Checking of compliance with the law, the articles of association, and the Code of Practice for the Self-Regulation of the Committee of Corporate Governance of Listed Companies

Based on the information gathered in the course of its work, the Board of Statutory Auditors did not discover any transactions that were (i) not compliant with the principles of sound governance, not approved and implemented in compliance with the law and the company's articles of association, not in the company's interests, or not in line with the resolutions adopted by the shareholders' meeting, or (ii) manifestly imprudent, risky or such as to compromise the integrity of the company's equity value.

The Board of Statutory Auditors was not aware of any transactions involving a potential conflict of interest.

The Board of Statutory Auditors checked that the procedure governing business with related parties was compliant with the rules of law and was properly followed.

In particular, in accordance with that procedure, the Chair and/or other statutory auditors attended meetings of the Control and Risk Committee to discuss transactions with related parties; the Board received periodic information about the trends in this area.

The Board of Statutory Auditors judged that the Board of Directors, in its report and in the notes on the financial statements, had provided adequate information about transactions with related parties, taking account of the rules in force. So far as the Board of Statutory Auditors is aware, no intercompany transactions in 2018 were in conflict with the company's interests.

In 2018, there were no atypical or unusual transactions. The most significant ordinary transactions were prudent, did not conflict with the resolutions adopted by the shareholders' meeting, and were not such as to harm the company's equity value.

The Board of Statutory Auditors, noting that Piaggio & C. SpA had adopted the Code of Practice for the Self-Regulation of the Committee of Corporate Governance of Listed Companies, checked that its members satisfied the independence criteria, and that the criteria and procedures adopted by the Committee to evaluate the independence of directors had been correctly applied.

3.2 – Checking of the adequacy of the internal control system and the systems for managing risk and the organisational framework

The Board of Statutory Auditors checked the adequacy of the internal control system and risk management system by:

- holding meetings with the company's management;
- holding periodic meetings with the control functions – Internal Audit, Risk Management and the *Dirigente Preposto* (the manager in charge of preparing the company's financial reports) – in order to evaluate their planning methods, based on identification and evaluation of the main risks involved in the processes and associated with the organisational units;

- examining the periodic reports by the control functions and periodic information on the outcome of monitoring;
- gathering information from those in charge of the functions;
- discussing the results of the audit firm's work;
- participating in the work of the Control and Risk Committee and, when the issues required this, discussing them with the Committee;
- meeting the subsidiary's supervisory bodies.

3.3 – Checking of the administrative and accounting system and the process of reporting financial and other information

The Board of Statutory Auditors, in its capacity as the Internal Control and Audit Committee, also following the changes made to the Italian system by Legislative Decree no. 135/2016, monitored the process and checked the efficacy of the internal control and risk management systems in respect of financial reporting.

The Board of Statutory Auditors periodically met the *Dirigente Preposto* to exchange information on the administrative and accounting system, and on its reliability to give a true picture of transactions.

In the course of these meetings, the *Dirigente Preposto* did not report any shortcomings in the operating and control processes that could alter the view that the administrative and accounting procedures are adequate and actually applied.

The Board of Statutory Auditors examined the *Dirigente Preposto*'s report on the financial statements for 2018, which sets out the results of the tests on the controls, the main issues detected in light of the relevant rules of law and methodologies, and the appropriate remedies.

The Board of Statutory Auditors also noted the statements issued on 25 February 2019 by the Managing Director and the *Dirigente Preposto*, pursuant to article 154-*bis* of the TUF and article 81-*ter* of CONSOB Regulation no. 11971/1999. According to these statements, there are no shortcomings that could alter the view that the administrative and accounting procedures are adequate.

The Board of Statutory Auditors also took note of the checks carried out by the *Dirigente Preposto* with regard to the consolidated subsidiaries; no critical issues emerged from these.

The audit firm, PricewaterhouseCoopers S.p.A, in the course of periodic meetings and in light of its Supplementary Report – required by article 11 of Regulation (EU) No 537/2014 and issued on 20 March 2019 – did not inform the Board of Statutory Auditors of any critical issues that could affect the internal control system in relation to administrative and accounting procedures; nor did it ever mention any reprehensible facts or irregularities to be reported in compliance with article 155(2) of the TUF.

The Board of Directors drew up, in compliance with the law, Piaggio Group's consolidated financial statements for the year ended 31 December 2018. These were audited by the audit firm PricewaterhouseCoopers S.p.A. As required by the rules of conduct issued by the *Consiglio Nazionale dei Dottori Commercialisti e dei Ragionieri* (National Council of Professional Accountants), the Board of Statutory Auditors verified that the procedures governing the preparation and layout of the financial statements and directors' reports were followed.

3

In light of the above, there is nothing that leads the Board of Statutory Auditors to believe that the business was not run in compliance with the principles of sound governance or that the organisational framework, system of internal controls and accounting and administrative apparatus were not, as a whole, suited to the needs and size of the company.

The company has prepared a Non-Financial Statement ("NFS"): an obligation introduced by Legislative Decree no. 254/2016 for financial years starting on or after 1 January 2017. These rules were supplemented by the "Regulation Implementing Legislative Decree no. 254 of 30 December 2016), published on 18 January 2018 by CONSOB in the form of Resolution no. 20267.

The company has prepared the NFS, as a section in the directors' report, on a consolidated basis and the Board of Statutory Auditors, in compliance with article 3(7) of Legislative Decree no. 254/2016, has verified – also in light of the audit firm's own report pursuant to article 3(10) of Legislative Decree no. 254/2016, issued on 20 March 2019 – that the NFS is complete and is compliant with the rules of law and NFS drafting criteria. The Board did not discover anything that needs to be mentioned in this report.

3.4 – Checking in accordance with Legislative Decree no. 39/2010

The Board of Statutory Auditors, in its capacity as the Internal Control and Audit Committee, checked the work of the audit firm, in compliance with article 19 of Legislative Decree no. 39/2010, as recast.

Following the so-called "Barnier Reform" and the ensuing new domestic legal framework introduced by Regulation (EU) No 537 of 16 April 2014 and Legislative Decree no. 135 of 17 July 2016, which has recast Legislative Decree no. 39/2010, the Board of Statutory Auditors has undergone appropriate training in this respect.

Moreover, at the invitation of the Board of Statutory Auditors, the company has drawn up adequate procedures for checking the payments made to the audit firm in accordance with the Barnier Reform.
As already mentioned, during the year, the Board of Statutory Auditors met the audit firm PricewaterhouseCoopers S.p.A. several times, pursuant to article 150 of the TUF, in order to exchange information about the work performed in the course of their respective duties.

The audit firm:

- issued on 20 March 2019 – in accordance with article 14 of Legislative Decree no. 39/2010 and article 10 of Regulation (EU) No 537 of 16 April 2014 – its audit reports, from which it emerges that the individual and consolidated financial statements, for the year ended 31 December 2018, were drawn up clearly and give a true and fair view of the assets and liabilities, financial position, profitability and cash flow of Piaggio & C. S.p.A. and its group. These reports also certify that the directors' report on the individual and consolidated financial statements for the year ended 31 December 2018 and the information given in the "Report on governance and ownership structures" are consistent with the individual and consolidated financial statements for the year ended 31 December 2018.

The audit firm submitted to the Board of Statutory Auditors, again on 20 March 2019, the Supplementary Report required in accordance with article 11 of Regulation (EU) No 537/2014. The Board of Statutory Auditors will bring the Supplementary Report to the attention of the next Board of Directors' meeting.

In relation to the financial reporting process, the Supplementary Report does not indicate any significant shortcomings in the internal control system that deserve to be brought to the attention of those responsible for governance.

In its Supplementary Report to the Board of Statutory Auditors, the Audit Firm made the statement on its independence required by article 6 of Regulation (EU) No 537/2014; there was nothing in this statement to indicate any situations that could compromise its independence.

Moreover, the Board of Statutory Auditors took note of the Report on Transparency drawn up by the audit firm and published on its website in accordance with article 18 of Legislative Decree no. 39/2010.

Finally, as already mentioned, the Board of Statutory Auditors examined the content of PricewaterhouseCoopers S.p.A.'s report on the NFS, issued in accordance with article 3(10) of Legislative Decree no. 254/2016 on 15 March 2018.

The Board of Statutory Auditors reports that in 2018, in addition to the auditing of the individual and consolidated financial statements and the financial statements of the company's subsidiaries, PricewaterhouseCoopers and its network were entrusted with the following work, with the approval of the Board of Statutory Auditors.

	Service provider	**Client**	**Fee for 2018**
EUR			
NFS and CSR auditing	PWC	Parent company Piaggio & C	51,000
Certification services	PWC	Parent company Piaggio & C	352,000
	PWC network	Subsidiaries	117,658
Other services	PWC	Parent company Piaggio & C	152,000
	PWC	Subsidiaries	37,500
Total			**710,158**

The audit firm also confirmed that, over the course of the year, as there were no grounds for doing so, it did not issue any other opinions required by law.

3.5 – Dealings with the Supervisory Board

As recommended by the rules of conduct issued by the *Consiglio Nazionale dei Dottori Commercialisti e dei Ragionieri* (National Council of Professional Accountants), in 2018 the Board of Statutory Auditors obtained all useful information from the Supervisory Board in order to verify that it had the necessary level of autonomy, independence and expertise to carry out its duties effectively.

The Board of Statutory Auditors also gathered information from the Supervisory Board about the adequacy, working and actual implementation of the Organisational Model adopted by the company.

The Supervisory Board reported on the work it carried out in the course of the year ended 31 December 2018, without flagging up any particular issues, and describing a situation basically in line with that required by the Organisational and Management Model referred to in Legislative Decree no. 231/2001.

****

Apart from the facts that it has already described above, the Board of Statutory Auditors is not aware of anything to be reported to the shareholders' meeting.
During the year the Board received no complaints from the shareholders under article 2408 of the Italian Civil Code.

In the course of its work, and on the basis of the information gathered, the Board of Statutory Auditors has not discovered any omissions, reprehensible facts, irregularities or significant circumstances that need to be reported to the regulatory authorities or mentioned in this report.

In conclusion, the Board of Statutory Auditors – taking into account the specific duties of the audit firm when auditing the accounts and when verifying the reliability of the individual financial statements, the fact that the audit firm has issued an unqualified opinion, and the statements issued pursuant to article 154-*bis* of Legislative Decree no. 58/1998 by the *Dirigente Preposto* – has no further comments that it wishes to make to the shareholders' meeting, pursuant to article 153 of the TUF, about the approval of the financial statements for the year ended 31 December 2018, as accompanied by the directors' report and as presented by the Board of Directors. Therefore it has no objection to the approval of the financial statements, the proposed allocation of the year's profit, and the distribution of dividends.

Milan, 20 March 2019

For the Board of Statutory
Auditors
The Chair

Piera Vitali

6

We would like to thank all colleagues for their valuable help
in preparing this document.

This report is available on the Internet at:
www.piaggiogroup.com

Disclaimer

This Financial Report as of 31 December 2018 has been translated into English solely for the convenience of the international reader. In the event of conflict or inconsistency between the terms used in the Italian version of the report and the English version, the Italian version shall prevail, as the Italian version constitutes the sole official document.

Management and Coordination
IMMSI S.p.A.
Share capital €207,613,944.37, fully paid up
Registered office: Viale R. Piaggio 25, Pontedera (Pisa)
Pisa Register of Companies and Tax Code 04773200011
Pisa Economic and Administrative Index no. 134077